



Daily Report

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General

Further Comments From Foreign Ministry Spokesman

On Qian-Christopher Meeting

BK1807114095 Hong Kong AFP in English
1126 GMT 18 Jul 95

[FBIS Transcribed Excerpt] Beijing, July 18 (AFP) — China said Tuesday an upcoming meeting between Foreign Minister Qian Qichen and his US counterpart could bring a "turning point" in strained Sino-US ties, amid signs of greater flexibility from Beijing.

"Whether there will be a turning point in Sino-US relations... is all hinged upon the outcome of the talks" on bilateral issues between Qian and US Secretary of State Warren Christopher, said Chinese Foreign Ministry spokesman Shen Guofang.

The meeting is to take place in Brunei on August 1 on the sidelines of the Association of Southeast Asian Nations forum.

But Shen maintained China's position that any improvement would require a demonstration by the US side "that it is willing to take concrete measures to return Sino-US relations to the basis defined in the three joint communiques."

The communiques contain pledges by the United States to maintain only unofficial links with Taiwan, which Beijing regards as a renegade province.

China's fury over a "private" visit in early June to the United States by Taiwanese President Li Teng-hui sparked a dramatic downturn in Sino-US relations.

Ties have further worsened over China's arrest of US human rights activist Harry Wu on espionage charges, together with US allegations of illicit Chinese biological weapons research and of missile technology sales to Iran and Pakistan.

Although Shen rejected suggestions that the scheduling of talks between Qian and Christopher marked a softening in China's policy, analysts noted that Beijing had previously ruled out high-level talks until Washington took "concrete" steps to mend the damage done by Li's visit.

In a further sign of a possible shift in its stance, Shen omitted China's recent refrain that ensuring national sovereignty was more important than maintaining good Sino-US ties, instead highlighting Beijing's desire for "good and co-operative relations" to ensure world peace and stability. [passage omitted]

When asked whether the issues to be discussed by Qian and Christopher would include this month's arrest of Harry Wu, a naturalised US citizen, Shen said the matter was "an independent criminal case."

He declined to clarify Chinese accusations that the travel documents of Wu, who was detained on June 19 as he sought to enter China's northwestern Xinjiang province from Kazakhstan, were not in order.

The matter is "something that is under investigation by judicial departments," he said, adding that the 58-year-old activist's crimes would become clear once the relevant officials "finish their investigations and trial."

US officials have said Wu was travelling on a valid US passport and Chinese visa.

Views U.S. Accusation

OW1807114895 Beijing XINHUA Domestic Service
in Chinese 0954 GMT 18 Jul 95

[FBIS Translated Text] Beijing, 18 Jul (XINHUA) — Responding to a reporter's question at a news conference this afternoon, Foreign Ministry spokesman Shen Guofang said: The U.S. Government should not make unwarranted accusations [wu duan zhi ze 2477 4551 2172 6307] against China on such issues as biological and chemical weapons, weapons proliferation and nuclear nonproliferation and, thus creating new troubles to Sino-U.S. relations.

A reporter asked: According to "WASHINGTON POST," the U.S. Government, in a report, accused China of violating "Biological Weapons Convention," "Missile Technology Control Regime," and "Nuclear Non-Proliferation Treaty." At a time of deteriorating Sino-U.S. relations, do you have any comments on this U.S. Government report?

Shen Guofang said: For years, there have been news reports about U.S. research and manufacture of biological weapons, and it is groundless and utterly irresponsible for the United States to accuse China of research and manufacture [yan zhi 4282 0455] of biological weapons. He said: By allowing Li Denghui [Li Teng-hui] to visit the United States, the U.S. Government has caused serious damage to the foundations of Sino-US relations. What the U.S. side should do is to take concrete and effective measures immediately to remove the grave aftermath and consequences caused by Li Denghui's visit to the United States, instead of making unwarranted accusation against China on such sensitive issues as biological and chemical weapons, weapons proliferation, and nuclear nonproliferation and, thus creating new troubles to Sino-U.S. relations.

On U.S., Sino-British Ties

OW1907095695 *Beijing Central People's Radio*
in Mandarin to Taiwan 2200 GMT 18 Jul 95

[From the "News and Current Events" program]

[FBIS Translated Text] Chinese Foreign Ministry held a news briefing on 18 July. Spokesman Shen Guofang answered questions on Sino-U.S. and Sino-British relations raised by Chinese and foreign reporters. A report by our station reporter (Li Lian) follows:

Vice Premier and Foreign Minister Qian Qichen will meet with U.S. Secretary of State Christopher during the ASEAN foreign ministers meeting in early August. A reporter asked whether their meeting will yield a certain impact on Sino-U.S. relations.

Spokesman Shen Guofang said: [Begin recording] The two foreign ministers will hold consultation on bilateral relations at a relevant ASEAN meeting on 1 August. Whether there will be a turning point in Sino-U.S. relations is mainly hinged on the results of their talks. We hope that during the talks the U.S. side will show its willingness to take practical actions to return the Sino-U.S. relations to the basis defined in the three joint communiques. [end recording]

A reporter asked about China's response to U.S. Secretary of State Christopher's remarks that he could not guarantee to keep Li Denghui [Li Teng-hui] from visiting the United States in the future.

[Shen Guofang]: [Begin recording] We believe that efforts to maintain healthy relations are beneficial to both countries. The foundation of healthy and good relations is the three Sino-U.S. joint communiques which we often mention. The three joint communiques unequivocally stipulate that the United States [words indistinct]. So, we hope that the U.S. Government will earnestly abide by its pledges contained in the three joint communiques, and will not do anything in violation of the principles and guidelines of the three joint communiques. If the U.S. Government continues to do things in violation of the guidelines of the three Sino-U.S. joint communiques, I believe that Sino-U.S. relations could continue to (?deteriorate). [end recording]

On the current Sino-British relations, spokesman Shen Guofang said: [Begin recording] China and Britain should promote good, cooperative relations with each other; and particularly cooperation on the Hong Kong question will be conducive not only to the two countries, but also to Hong Kong's smooth transition. We hope that the British Government will continue to maintain cooperative relations with the Chinese side in Hong Kong-related issues before 1 July 1997. [end recording]

Internal Paper Warns Against Rushing on WTO

HK1507072195 *Hong Kong SOUTH CHINA*
MORNING POST in English 15 Jul 95 p 1

[By Dede Nickerson in Beijing]

[FBIS Transcribed Text] An internal paper prepared by senior Chinese economic officials has warned top Beijing leaders against rushing to join the World Trade Organisation (WTO). The officials claimed the cost of quick entry might be too high for the mainland.

China was granted "observer" status by the WTO General Council early this week and must wait to be granted fully-fledged membership. The paper, "China Should Not Rush to Join the WTO", indicated the sense of nationalism which had pervaded China's foreign policy decision-making apparatus was now spilling into the trade arena.

Just a few months ago senior Chinese officials, including Vice-Premier Li Lanqing and Foreign Trade Minister Wu Yi, seemed hopeful China's entry to the WTO was imminent. "China needs the world and the world needs China," was the slogan openly delivered by Chinese officials. But the paper indicated Beijing was prepared to follow a more nationalistic direction in future negotiations with foreign trade partners. Pointing out it was unlikely China would enter the WTO before 1997, the authors said, "We should have a cool attitude, let them come to us so we can put forth China's conditions; we don't need to change our conditions."

This line of thinking represents a marked change of attitude in China towards the General Agreement on Trade and Tariffs (GATT) and WTO. While this view has not yet been aired publicly Western diplomats say they are not surprised to see the change in tone. "If China feels its chances of entry to the WTO will be hindered by the current rift in Sino-US relations, it will change its tone publicly on the issue," said a Western diplomat.

After signing an extensive intellectual property rights agreement with the United States in February this year, it seemed as though China's chances for entry had improved greatly as the US seemed more willing to give its support. With the downturn in Sino-US relations, it is not unlikely that fallout repercussions from the political stalemate will arise in trade negotiations.

In the paper, the authors pointed out the US has had a clear change in attitude on the GATT-WTO issue since the collapse of the Soviet Union and the fall of communism in Eastern Europe.

"The attitude of the US has become very tough. The US said it would be flexible in the so-called resumption

of negotiations, but that's only diplomatic talk. It does not represent real progress." But the authors did not limit their arguments to lack of support from the US. They also cited several domestic economic factors as reasons why China should not rush to join the WTO. They used Mexico as an example of a country that had not benefited greatly from entry to GATT or to the North American Free Trade Agreement. "We cannot risk opening our financial markets too early, or all our profits will be taken away," the authors said.

The lack of famous Chinese brands in the international marketplace and management problems prevalent in China's stateowned enterprises are also reasons for not rushing. The release of the paper coincided with the publication of a survey by the China Youth Daily claiming the majority of Chinese people regarded the US as the country most unfriendly towards them. About 87.1 per cent of 100,000 people surveyed nationwide between April and June 20 described the US as the least friendly country to China.

On the other hand, North Korea came top in the "most friendly" category, supported by 43.1 per cent of individuals. The US also ranked first in the categories of "countries about which Chinese people have the worst impression" and of the "most influential nations in the world", scoring 57.2 per cent and 74.1 per cent respectively.

Trade Minister Wu Yi Meets UN Official

OW1907090795 Beijing XINHUA in English
0843 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — Chinese Foreign Trade Minister Wu Yi ruled out here today the possibility of China becoming a developed country in a short period of time.

Wu said that, despite its rapid economic growth since the implementation of the reform and open policies 15 years ago, China's development level is still quite low, due to its large population as well as backward economic foundation and basis for development.

Wu made the remarks during talks with Secretary-General Jean-Claude Paye of the Organization of Economic Co-operation and Development (OECD) of the UN, who is here as a guest of the Ministry of Foreign Trade and Economic Co-operation.

The Chinese foreign trade minister said that, as a typical developing country with over 70 million people living under the poverty line, China will not be able to reach the level of the developed countries in a short time.

The goal of the Chinese government to bring the country up to the level of the medium-developed

countries by the year 2050 is in line with China's actual conditions, she said, and the belief that China's economic development has surpassed the level of a developing country reflects a lack of knowledge or understanding of China's real conditions.

During the talks both Wu and Paye agreed to establish a relationship of dialogue and co-operation between China and the OECD.

Extending a welcome to Paye on his current China trip, Wu said that closer co-operation between China and the OECD and its members is beneficial to all, and the prospects for such co-operation are promising.

Agreeing with Wu, Paye said that the OECD has been actively seeking dialogue and co-operation with China in recent years, especially in the fields of statistics, macro-economic policy, laws and regulations, social change and environmental protection.

China, Wu said, is also willing to have policy dialogues with the OECD in the aspects of trade, investment, environmental protection, finance, banking and taxation, and establish channels for frequent exchange of information and training of personnel.

She said that China has enjoyed very close trade and economic ties with the OECD members and is willing to further develop such ties.

Chinese customs statistics show that China's trade volume with the OECD members reached 127.5 billion US dollars-worth last year, more than half of its total, and nine of China's 15 biggest trade partners are OECD members.

Meanwhile, 19 of the OECD's 25 members have provided government loans to China so far, and 23.9 billion US dollars of the promised 36.9 billion US dollars has been actually put to use.

Jiang Zemin Accepts Credentials From Ambassadors

OW1907060595 Beijing XINHUA in English
0531 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — President Jiang Zemin accepted the credentials presented by three new ambassadors to China at the Great Hall of the People here today.

The new ambassadors are Luis Wybo Alfaro from Mexico, Kuanysh Suldanovich Suldanov from Kazakhstan and Savina Zafferani from San Marino, who is also his country's first ambassador to China.

They arrived in Beijing on June 19, July 10 and July 17, respectively.

United States & Canada**U.S. Urged To Return to Three Communiques***HK1907081295 Hong Kong WEN WEI PO in Chinese
17 Jul 95 p A2*

[Editorial: "United States Should Return to Foundation of Three Joint Communiques"]

[FBIS Translated Text] By granting Li Teng-hui an entry visa, the U.S. Government has undermined the foundation for Sino-U.S. relations, worsening the bilateral ties. The deadlock has yet to be broken.

The U.S. side has refused to take the blame for the downturn in Sino-U.S. relations. On the contrary, they have claimed that they cannot rule out the possibility of allowing Li Teng-hui a second visit. This reveals that the United States not only has gone back on its word, but also has persisted in its errors. It is still attempting to interfere in China's internal affairs, and to prevent China's development and reunification.

There is a foundation for the normalization and development of Sino-U.S. relations which is the three communiques on Sino-U.S. relations: The Shanghai Communique, signed in 1972; the Communique on Establishing Diplomatic Relations, signed in 1979; and the 17 August Communique, signed in 1982. These three communiques affirm that Taiwan is a part of China. Under the three communiques, the United States acknowledged that the PRC is China's sole legitimate government, and it promised to maintain non-official relations with Taiwan. In the 17 August Communique, the U.S. side also clearly stated that the United States has no desire to violate China's sovereignty and territorial integrity, to interfere in China's internal affairs, or to pursue the policy of "two Chinas" or "one China, one Taiwan."

In handling Sino-U.S. relations, China has consistently abided by the three communiques, and has refrained from infringing on [sun hai 2275 1364] U.S. interests and dignity. No U.S. congressmen who are impervious to reason can find an instance to show that China has acted otherwise. From time to time, however, the U.S. side has not done China justice. Allowing Li Teng-hui to visit is a very bad instance in this respect. The U.S. Government did not approve Li's application for a "private" visit to his alma mater, Cornell University, for a long time. In its statement released on 3 May [as published], the U.S. State Department pointed out, "A visit by a figure like Li Teng-hui, with the title of president — no matter whether it is actually a private visit — undoubtedly would be considered by the PRC as a change in the United States' unofficial relations with Taiwan, thus endangering our unofficial relations with Taiwan and undermining the foundation for our official

relations with the PRC." In May this year, the U.S. State Department solemnly told the Chinese side that Li Teng-hui would not be allowed to visit the United States. Nevertheless, with these words were still ringing in our ears, the White House announced its decision to allow Li to make "a private visit." However, Li's activities in Cornell University were of highly political nature, and were out of proportion with his capacity as a former student. His activities also were coordinated by the U.S. Congress and a number of senior local government officials. Therefore, the U.S. side is entirely to blame for the rift in Sino-U.S. relations. However, the U.S. went so far as to say that China also should be held responsible for this. This argument is untenable. The fact that the United States utilized Li to preach "two Chinas" or "one China, one Taiwan"; interfered in China's internal affairs; and obstructed China's development and reunification; is known to all. The U.S. side absolutely is not in a position to defend itself, and cannot bring forward any convincing reasons in favor of their move. The three Sino-U.S. communiques are solemn diplomatic documents, but the administrative authorities of the United States, as a major country, actually have ignored these documents and gone back on their word. So people cannot help casting doubt on the Clinton administration's capability to deal with foreign affairs.

Many U.S. officials, including military officers, clearly understand that China plays an important role in international affairs. General Macke, commander of the U.S. Pacific Fleet, recently said openly, "The last thing we can do is to isolate and confront China." Some U.S. policy-makers seem to have poor memories; they have forgotten that U.S. troops were badly battered and forced to make a truce when they entered a war against the newly founded PRC on the Korean Peninsula in the 1950's in the name of the United Nations. In the mid-1960's, the United States unleashed the Vietnam war in an attempt to "contain China," and the result is known to all. Former U.S. Defense Secretary Robert McNamara, the principal mastermind of the Vietnam war, formally repented of his past mistake this year. As an old Chinese saying goes, the remembrance of the deeds of past ages is the best guide in the future. If the United States fails to keep the lessons of history firmly in mind, it will suffer a great setback again.

Whether Sino-U.S. relations will turn for the better depends on the U.S. side. It was the U.S. side, rather than the Chinese side, that disrupted bilateral relations, and it was the U.S. side, rather than the Chinese side, that did not do the other side justice. In developing their bilateral relations, both China and the United States should give priority to their common interests, and to

peace and development in the Asia-Pacific region, rather than allowing ideology to stand in the way. This good relationship made favorable headway in the past, and it will not be difficult for the present undesirable situation to return to normal. What is essential is that the U.S. side must return to the foundation laid down by the three communiques, and guarantee that Li Teng-hui will not be allowed to visit the United States again. If the U.S. side thinks it still can refuse to acknowledge its mistake, and can force China to gulp down the bitter pill, they are making a blunder. For 1.2 billion people, state sovereignty and territorial integrity are above all else; they are sacred and inviolable. If anyone challenges this, they certainly will pay a high price.

Northeast Asia

Qingdao Opens Air Route to Osaka

SK1907134095 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 18 Jul 95

[FBIS Translated Text] The air route between Qingdao and Japan's Osaka, pioneered by the Shandong branch of China Eastern Airline, opened on 18 July. An A-300 passenger airbus with accommodations for 274 passengers traveling between Qingdao and Osaka on Tuesday and Friday. This is the first formal international air route pioneered by our province following the opening of the air routes to Hong Kong and Seoul with regular chartered planes making the trips.

CPC Liaison Department Team Leaves for DPRK

OW1907035895 Beijing XINHUA in English 0348 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — A delegation of the International Liaison Department of the Chinese Communist Party Central Committee led by Liu Jingqin, Deputy Head of the department, left here today on a goodwill visit to the Democratic People's Republic of Korea (DPRK), at the invitation of the Workers' Party of DPRK.

ROK Minister Continues Official Visit

Meets Li Lanqing

OW1907121395 Beijing XINHUA in English 1151 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — Chinese Vice-Premier Li Lanqing met with Pak Yong-sik, education minister of the Republic of Korea (ROK), and his party here today.

The two sides exchanged views on the enhancement of educational cooperation between the two countries.

Pak and his party arrived here yesterday at the invitation of the State Education Commission.

Leaders Sign Education Accord

SK1907115895 Seoul YONHAP in English 1141 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (YONHAP) — South Korea and China on Wednesday concluded a bilateral agreement on 1995-97 educational exchanges and cooperation.

The agreement was signed here by visiting Education Minister Pak Yong-sik and his Chinese counterpart, minister of State Education Commission Zhu Kaixuan.

Under the agreement, the two countries will, among others, exchange students and groups of educational administrators, provide scholarships and other conveniences to students from each other countries, and host the training of language professors.

Southeast Asia & Pacific

Yunnan Delegation Arrives in Burma

OW1907074895 Beijing XINHUA in English 0727 GMT 19 Jul 95

[FBIS Transcribed Text] Yangon [Rangoon], July 19 (XINHUA) — An 8-member Chinese delegation, led by Chairman of the People's Congress of Yunnan Province Yin Jun, arrived here this afternoon on a 5-day goodwill visit at the invitation of Myanmar Minister at the Prime Minister's Office Colonel Pe Thein.

Colonel Pe Thein and Charge D'affaires ad Interim of the Chinese Embassy in Myanmar Yu Tiegeng greeted the delegation at the airport.

Australian Minister Continues Visit

Requests Businessman's Release

BK1807131295 Melbourne Radio Australia in English 0100 GMT 18 Jul 95

[FBIS Transcribed Text] Australia has called on China to release on bail James Peng, the Australian businessman who has been held in a southern Chinese jail for more than 22 months on charges of embezzlement. China correspondent, Camille Funnell, reports the request was made by Australia's minister for development and cooperation, Gordon Bilney, in talks in Beijing.

[Begin Funnell recording] Mr. Bilney says he told Madame Peng, a member of China's State Council, Canberra was very unhappy with the continued detention of James Peng who is still waiting in a Chinese

jail for a verdict from his court case last November. Mr. Bilney described Mr. Peng's case as an irritant in Sino-Australian relations. He says with Mr. Peng's case caught in what seems to be an endless shuffle between the court and the prosecution, authorities should either release him on bail or deliver a verdict.

Mr. Bilney says there was no response to his request, but he is hopeful China has got the message. [end recording]

Views Trade Prospects

OW1807154295 *Beijing XINHUA in English*
1445 GMT 18 Jul 95

[FBIS Transcribed Text] Shanghai, July 18 (XINHUA) — Australia will regard China as one of its more important trade partners in the future as it switches its foreign trade focus from Europe to Asia and the Pacific.

These remarks came from visiting Australian Minister for Development Cooperation and Pacific Island Affairs Gordon Bilney here today.

He said during his stay here that Australia has listed China, Indonesia, Thailand, and the Republic of Korea as overseas markets, as part of an effort to change priority in foreign trade from Europe to the Asia-Pacific region, and added that China is Australia's top priority in the region in terms of foreign trade.

He said that a sound foundation had been laid for the development of Austrian-Chinese trade ties since Australia had exported large amounts of raw materials such as iron ore and wool in recent years, and many Australian companies have invested in China.

There are now 165 companies with Australian investment in Shanghai.

He said that an Australian delegation will visit Shanghai in September to discuss the matter of strengthening bilateral trade ties.

The delegation, which will be headed by the Australian trade minister, will consist of more than 100 governmental officials and businessmen, he explained.

Near East & South Asia

Wei Jianxing Meets Syrian Trade Union Delegation

OW1407115295 *Beijing XINHUA in English*
1108 GMT 14 Jul 95

[FBIS Transcribed Text] Beijing, July 14 (XINHUA) — Wei Jianxing, member of the Political Bureau of the Chinese Communist Party Central Committee and president of the All-China Federation of Trade Unions (ACFTU), met here today with a delegation from the General Federation of Trade Unions of Syria.

The delegation, headed by Izzedin Nasser [name as received], chairman of the general federation, is here at the invitation of ACFTU.

India's Chavan Arrives for Official Visit

To Hold Organized Crime Talks

LD1607120195 *Delhi All India Radio General Overseas Service in English* 1000 GMT 16 Jul 95

[FBIS Transcribed Text] India and China are to discuss ways to combat organized crime, drugs, narcotics trafficking, and theft of antique properties. The Home Minister, Mr. S.B. Chavan, who arrived in Beijing yesterday on a week-long visit to China, will have discussions with the Chinese minister for public security, Mr. Tao Siju, on these issues. He will also call on the president and the prime minister of China and other top leaders.

Border Crime Agreement Signed

BK1707131595 *Delhi All India Radio Network in English* 0830 GMT 17 Jul 95

[FBIS Transcribed Text] India and China are to sign a memorandum of understanding on combating cross-border crimes and narcotics-related crimes.

A note on the MOU [memorandum of understanding] was exchanged between the two countries in Beijing today during a meeting between the visiting home minister, Mr. S.B. Chavan, and his Chinese counterpart, the public security minister, Mr. Tao Siju. The two leaders also held wide-ranging discussions on bilateral cooperation.

Mr. Chavan was assisted among others by the Indian ambassador, Mr. C. Das Gupta, and senior officers accompanying him. Mr. Chavan, who arrived in Beijing on Saturday [15 July] on a week-long visit, will be going to Shanghai, Shenzhen, and Guangzhou before returning to India. He will meet Premier Li Peng during his stay in the Chinese capital.

Meets With Li Peng

BK1807014595 *Delhi All India Radio Network in English* 1530 GMT 17 Jul 95

[FBIS Transcribed Text] India and China have agreed to cooperate in tackling transnational crimes such as drug and weapon trafficking.

The understanding came at a meeting between the home minister, Mr. S.B. Chavan, and his Chinese counterpart, Mr. Tao Siju, in Beijing today. Mr. Chavan said continuation of high-level dialogue between the two sides would help in further reinforcing the commonality of views on most issues of international concern.

Later, Mr. Chavan called on the Chinese premier, Mr. Li Peng. During the meeting, the Chinese premier warmly recalled his visit to Delhi and his meetings with the prime minister, Mr. Narasimha Rao. Mr. Li Peng expressed the hope that the home minister's visit to China would further strengthen the growing friendly relations between the two countries.

Meets With Officials

*BK1807142695 Delhi All India Radio Network
in English 0245 GMT 18 Jul 95*

[FBIS Transcribed Text] The home minister, Mr. S.B. Chavan, has said that stable and good neighborly relations between India and China will be conducive to the stability and development of Asia and the world. Mr. Chavan, who is now in Beijing, told his counterpart, Mr. Tao Siju, that New Delhi is committed to step up its relations with Beijing. He also said that it is mutually beneficial for both the countries to maintain substantive contacts at all the levels. Mr. Chavan, who is on a week-long visit to China, also offered to work with that country in tackling organized crime and illegal trafficking of arms and ammunition. He handed over a draft of the agreement on the subject to his counterpart, Mr. Siju. Both governments will discuss the draft further.

Later, Mr. Chavan called on the Chinese premier, Mr. Li Peng. He conveyed greetings from the prime minister, Mr. Narasimha Rao, to Mr. Li Peng, and renewed the invitation to the Chinese premier to visit India.

Latin America & Caribbean

Bolivian Minister Stresses Ties With Beijing

*OW1807090895 Beijing XINHUA Domestic Service
in Chinese 1543 GMT 9 Jul 95*

[FBIS Translated Text] La Paz, 9 Jul (XINHUA) — Bolivia's acting Foreign Minister Eduardo Trigo reiterated here the other day that Bolivia would strengthen its friendly relations and cooperation with China.

Trigo made these remarks at a reception given by Chinese Ambassador to Bolivia Tang Mingxin in marking the 10th anniversary of the establishment of diplomatic relations between China and Bolivia. He pointed out that China's current international relations and its inde-

pendent foreign policy have become a model for various regions of the world and that Bolivia would like to express its admiration for China's sustained and stable economic development.

Trigo also said: Since the establishment of diplomatic relations between Bolivia and China 10 years ago, the fraternal cooperative relations between the two governments and two peoples have been continuously strengthened. He also extended his heartfelt thanks to China for cooperating with Bolivia in the economic, technological, scientific, trade, agricultural, and military fields.

In his speech at the reception, Ambassador Tang Mingxin expressed satisfaction with the development of relations between the two countries over the past 10 years and expressed the belief that Sino-Bolivian relations would further develop in the future.

Wu Jieping Meets Brazilian Amity Group

*OW1707142495 Beijing XINHUA in English
1225 GMT 17 Jul 95*

[FBIS Transcribed Text] Beijing, July 17 (XINHUA) — Wu Jieping, vice-chairman of China's National People's Congress (NPC) Standing Committee, met with a delegation from the Brazil-China Friendship Group of the National Congress of Brazil here this evening.

The delegation, headed by president of the group Helio C. Rosas, arrived here yesterday for a visit as guests of NPC's Sino-Brazilian Friendship Group.

CPC Delegation Leaves To Visit Cuba, Mexico

*OW1607134695 Beijing XINHUA in English
1243 GMT 16 Jul 95*

[FBIS Transcribed Text] Beijing, July 16 (XINHUA) — A Chinese Communist Party (CPC) delegation left here today for a visit to Cuba and Mexico at the invitation of the Communist Party of Cuba and the Revolutionary Institutional Party of Mexico.

The delegation was led by Li Shuzheng, alternate member and head of the International Liaison Department of the CPC Central Committee.

Cuban Ambassador to China Jose A. Guerra was among those seeing the delegation off at the airport.

Political & Social**Diplomat Downplays Taiwan Concern on Missile Test***BK1907094095 Hong Kong AFP in English
0920 GMT 19 Jul 95*

[FBIS Transcribed Text] Beijing, July 19 (AFP) — Taiwan should not be concerned over China's plans to conduct surface-to-surface guided missile manoeuvres next week, a senior Chinese diplomat said here Wednesday.

Following a plunge in the Taiwan stock market and a popular outcry that greeted China's announcement Tuesday that the exercise would take place just off the northern tip of Taiwan, the diplomat said any concerns on the nationalist island were symptomatic of a guilty conscience.

"In China we have a saying: 'If your conscience is clear, you needn't fear a knock on the door in the middle of the night,'" said the diplomat, who asked not to be identified.

He also reiterated China's official position that the mainland would only attempt to invade the island — which Beijing views as a renegade province — if Taiwan attempted to declare independence or was taken over by a foreign power.

Taiwanese leaders called on the public to remain calm Wednesday as the local bourse tumbled 4.2 percent to a 19-month low on China's announcement of the missile exercise to be conducted between July 21 and 28.

The missile launch exercise "into the open sea" will take place within an area with a radius of 10 nautical miles, centered on a point of latitude 26 degrees 22 minutes north and longitude 122 degrees 10 minutes east.

With relations across the Taiwan Strait currently under enormous strain after last month's visit to the United States by Taiwanese President Li Teng-hui, some observers have seen the exercise as a provocative show of China's military might.

However, military experts here said it would be necessary to wait and see the exact nature of the exercise before determining whether the Taiwanese concerns were well-founded.

"If this is to be a test firing of a new ICBM (inter-continental ballistic missile), I would tend to see it in the context of China's military modernisation programme rather than a move aimed at Taiwan," said a western military attache based in Beijing.

That view was echoed by another western diplomat, who said the lengthy period allotted to the exercise and the size of the designated impact zone suggested an ICBM

test-firing that would have been long in the pre-planning stage.

"This isn't something you can organise at the drop of the hat, which would make the timing more coincidental than deliberate," he said.

However, another military attache pointed out that the official Chinese announcement had specified a "practice" launch exercise, rather than a "test" — indicating the use of a missile, or missiles, already in service.

"That could mean (?ship-to-ship) launches of smaller missiles like the silkworm, which would be far easier to arrange and would bear out Taiwan's anxieties," he said.

The announcement, which warned all foreign vessels and aircraft to steer clear of the impact zone during the seven-day period, did not specify if the launches would be land-based or sea-based.

Jiang Zemin, Others Attend Student Conference*OW1807143795 Beijing XINHUA in English
1423 GMT 18 Jul 95*

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — The first session of the Eighth Committee of the All-China Youth Federation (ACYF) and the 22nd All-China Students' Federation (ACSF) conference opened here today at the Great Hall of the People.

Top leaders of the Chinese Communist Party and government Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Liu Huaqing, Hu Jintao and Rong Yiren attended the opening ceremonies.

Hu Jintao, member of the Political Bureau of the Central Committee of the Communist Party of China (CPC) and member of the Secretariat of the CPC Central Committee, addressed the conference on behalf of the party and the State Council.

Hu praised ACYF and ACSF for their achievements and urged them to continue working under the guidance of Deng Xiaoping's theory of building socialism with Chinese characteristics following the basic line of the party.

Hu encouraged the two youth organizations to contribute more to China's modernization drive, regaining sovereign rights over Hong Kong and Macao, promoting reunification of the country, and to world peace.

The ACYF was founded on May 4, 1949 at the suggestion of the late Premier Zhou Enlai and with the approval of the late Chairman Mao Zedong. As an

organization for youth from all over China, it has 43 collective members and 1,000 individual members.

One thousand and six representatives of the ACYF, from different ethnic, religious, and cultural backgrounds, will take part in the five-day meeting. They are outstanding young people who have done excellent work in the nation's construction and include some members from Taiwan province, Hong Kong, and Macao, and some living abroad.

The 76-year old ACSF, which is an affiliate of the ACYF, has 504 representatives from student unions in colleges, universities, high schools, or vocational schools from across the country, and from overseas students organizations.

Li Keqiang, first secretary of the Secretariat of the Central Committee of the Communist Youth League of China, said at the opening ceremonies that young talent is the hope for future development and overall prosperity of the nation.

He asked the ACYF and ACSF to help young people grow through study and practice, with patriotism as spiritual support.

Jiang Team Viewed as Stumbling on Foreign Policy

HK1907060995 Hong Kong SOUTH CHINA
MORNING POST in English 19 Jul 95 p 17

[By Willy Wo-Lap Lam]

[FBIS Transcribed Text] Don't be too harsh on President Jiang Zemin. The diplomatic difficulties besetting China would have stretched to the limit even the sagacity and skills of the late premier Zhou Enlai. And Mr Jiang is no Zhou. However, even if this understanding were commonly held, it would not spare Mr Jiang and his key lieutenants, such as Foreign Minister Qian Qichen, the widespread condemnation of their failings in foreign policy.

The Chinese are being treated to a sickening sense of plus ca change [preceding three words published in italics]. Once again, it's the Maoist east wind versus Uncle Sam's west wind — and the east is on the defensive. As in the 1950s and 1960s, Beijing risks being overwhelmed by America's containment policy. In Chinese eyes, Washington is using pawns and pincers such as Taiwan and Tibet to rein China in. The US has also played up Chinese "expansionism" in the South China Sea to persuade the Association of Southeast Asian Nations (ASEAN) as well as Vietnam to form a united "anti-China front".

Mr Jiang and Mr Qian are vulnerable to criticism because, relatively speaking, China has since the 1950s

become stronger and the US weaker. For example, the remarkable growth of the Chinese economy and the lure of a market with more than one billion consumers are potent chips for Chinese negotiators. The American economy, on the other hand, has entered a perennial low-growth plateau. The administration of President Bill Clinton is so weak very few foreign-policy experts in the US think it capable of crafting something so sophisticated as a neocontainment policy against Beijing.

Both by force of circumstance and clumsy footwork, however, Mr Jiang's team has failed to deliver convincing counter-punches. It's not for lack of trying. Soon after Taiwan President Li Teng-hui strutted his "alumni diplomacy" in New York early last month, Premier Li Peng brandished the time-honoured Moscow card during a tour of Russia and the Ukraine. Mr Li, a fluent Russian speaker bear-hugged President Boris Yeltsin and enthusiastically proclaimed "a new era" in Sino-Russian ties.

However, both pillars of Sino-Russian friendship — economic cooperation and transactions in weaponry — are fraught with difficulties and mixed blessings. The growth rate in bilateral trade plummeted from close to 100 per cent in the early 1990s to a 0.5 per cent in the first five months of this year. By agreeing to payment in cash instead of in kind, Beijing has acquired state-of-the-art jet fighters and submarines. While these new toys might spite the Americans, they also have the unfortunate effect of further frightening ASEAN, which will later this month welcome Vietnam, another long-term China antagonist, to its fold. A major thrust of Mr Jiang's counter-containment game-plan is to "Europeanise" China's trade and foreign policy: sell more to Europe to lessen the country's dependence on the American market; and get high technology from Europe, not America. In his just-finished tour of Germany, Mr Jiang played a variant of Mr Li's "dollar diplomacy" by offering Bonn contracts worth US\$3.1 billion (about HK\$24.1 billion).

This "Europe before America" strategy, in addition to Britain's capitulation on the issue of democratisation in Hong Kong, is behind the new-found doe eyes between Beijing and London. Yet Europe is too big, diverse and "Western" in mentality to be won over by business opportunities. It is true that on issues such as human rights, quite a few European countries, particularly "see-no-evil" Germany, might be willing to look the other way. However, on more weighty matters such as pressuring China to lift market restrictions before it is allowed to join the World Trade Organisation (WTO), Europe is in cahoots with the US. Major European capitals including Bonn have continued to play host

to the Dalai Lama. After the visit to Austria and the Czech Republic by Taiwan premier Lien Chan, there is evidence that countries such as France, which is eyeing lucrative infrastructure projects in Taiwan, might agree to receive a senior Taiwan cabinet official.

The third prong of Beijing's counter-offensive is to prevent ASEAN from becoming a part of Washington's containment gambit. Mr Qian is putting together a charm offensive at the forthcoming meeting of ASEAN in Brunei, which he is attending. At least on a rhetorical level, Beijing has appeared more conciliatory in Spratlys-related negotiations with Vietnam and the Philippines. There is talk that China might agree to a multilateral discussion on Asia-Pacific security with ASEAN.

Diplomatic analysts, however, doubt whether the Jiang-Qian squad could generate better vibes over the Spratlys given the Chinese army's obsession with power projections there. In fact, the Spratly conundrum has exposed a fundamental constraint in Chinese diplomacy. While the instructions of Mao Zedong and, to a large extent, those of the late premier Zhou, were gospel. Mr Jiang has had to contend with other voices in the polity, particularly that of the senior generals.

Mr Jiang's lack of helmsman-like clout, in addition to lapses of judgment, is behind the singular ineptness of Beijing's response to the series of offensives from Washington and Taipei since the spring. Beijing seems to have erred on the score of both timidity and pugnaciousness, the latest example of which came with yesterday's announcement of a missile test at the end of the month close to Taiwan. Earlier, Mr Jiang waited a few weeks after Mr Li's grandstanding at Cornell University before he issued a personal reprimand to Washington and recalled the Chinese ambassador to the city.

On other fronts, Beijing is aggressive to the point of needlessly burning bridges. The vitriol poured on President Li — particularly the accusations of "traitor" and "prostitute" — has ruled out the possibility of a meaningful dialogue with a popular politician who will most likely be reelected next year.

Western diplomats last week were flabbergasted when Mr Qian demanded as a pre-condition for releasing Chinese-American activist Harry Wu Hongda an apology from Washington over the Li affair, in addition to a guarantee that he would never return to the US.

In lieu of statesmanlike diplomacy, the Jiang administration seems to be wallowing in self-pity — and self-glorification. A recent internal document on the "negative aspects" of WTO accession seems an effort by the

leadership to wash its hands of responsibility for failure to join the world body in good time.

Then there is the extravaganza of a commemoration of the 50th anniversary of the Chinese victory in World War II. While claiming that the Communist Party alone should take credit for the triumph over Japanese imperialism, the editorials and commentaries hinted, with just as little justification, that it could deal as devastating a blow to American neoimperialism.

Li Qiyao To Take Blame for Officials' Corruption

*HK1907063495 Hong Kong HONGKONG
STANDARD in English 19 Jul 95 p 6*

[By China Editor Cary Huang]

[FBIS Transcribed Text] Further political shake-ups in the Communist Party and in city hall in the Chinese capital are expected as central investigators unearth more evidence of corruption against senior municipal officials. The ongoing anti-graft campaign might see Beijing Mayor Li Qiyao step down, according to Chinese sources.

The anti-corruption campaign launched by Chinese President Jiang Zemin has already weeded out a dozen senior officials, including Beijing party boss and Politburo member Chen Xitong. The campaign has also witnessed the suicide of Chen's protege, vice-mayor Wang Baosen.

Beijing sources said the anti-graft campaign was apparently aimed at compiling evidence for future political purges. The sources said the probe into a string of scandals involving senior city officials found rampant corruption and widespread abuse of power by rank-and-file city hall employees, for which the mayor, rather than the party boss, ultimately would have to fall on his sword.

Mr Jiang, who now holds the three top titles in the party, the state and the army and is struggling for supreme leadership after paramount leader Deng Xiaoping dies, has recently ordered the investigation into city hall to intensify. One massive campaign involved checking the use of cars by city officials. Sources said new Beijing Party boss Wei Jianxing, the party's chief anti-corruption watchdog, has sent hundreds of investigators from the party's Central Commission for Discipline Inspection (CCDI) and Ministries of Supervision and Finance to check cars used by officials. Inspectors were even posted in major streets, car parks of government buildings, luxury hotels and entertainment sites. The inspectors found more than 200 luxury cars — proscribed for use by officials — being used by city officers. And according to regulations chief officials are responsible for such abuses. A source said Mr Wei briefed city

officials on the results of the investigation, suggesting Mayor Li would be blamed.

Meanwhile, a senior party official for disciplinary matters yesterday urged cadres to exercise self-discipline and vowed to stop officials from using imported luxury cars and dining and wining at public expense. "Discipline inspection departments will spare no effort in halting the use of cars that exceed (approved) standards used by officials," Deputy CCDI Secretary Hou Zongbin warned, apparently referring to the recent investigation. Mr Hou, a deputy to Mr Wei, asked officials for stricter self-discipline and vowed to stamp out the rampant practice of officials entertaining on public funds. The CCDI recently issued orders barring officials from using imported cars and requiring them to trade them in for locally made vehicles. The watchdog body also issued a nationwide ban on using public funds for lavish dining and entertaining.

Yanan Hosts Party School Seminar

OW1807135495 Beijing XINHUA in English
1242 GMT 18 Jul 95

[FBIS Transcribed Text] Yanan, July 18 (XINHUA) — Some 160 Party School officials and scholars from across China gathered here today for a week-long seminar marking the 50th anniversary of the victories in the Anti-Japanese War and the World Anti-Fascist War.

The seminar is of great importance for the summing up of historical experience, developing patriotism, carrying on the fine tradition of the Communist Party of China (CPC) and improving Party building, said Wang Jialiu, vice-president of the Party School of the CPC Central Committee, at today's opening ceremony.

The War of Resistance Against Japan in China was an inseparable part of the World Anti-Fascist War. The victories in the two wars were victories for the peaceful and democratic forces in the world, Wang said.

The CPC adopted Mao Zedong Thought as its guiding principle, determined the Party's political line and achieved the unity of the whole Party at the Seventh Party Congress held in Yanan 50 years ago, paving the way for the final victory in the Anti-Japanese War and of the new democratic revolution, he added.

Wang called on the whole party to put theoretical research above everything else, raise the quality of members and leading officials of the Party, carry forward the Party's fine tradition and pay attention to the training of outstanding young cadres.

Telecom Services Set for Women's Conference

OW1807160395 Beijing XINHUA in English
1556 GMT 18 Jul 95

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — Beijing is set to provide high-quality telecommunications services for the upcoming Fourth World Conference on Women.

An official with the Beijing Post and Telecommunications Bureau (BPTB) said here today that the PPTB is laying the Beijing-Huaiyou cables and installing various telecommunications facilities for the conference.

According to the official, the BPTB will open over 3,000 program-controlled telephones, 300 magnetic card phones, 200 fax machines, and several hundred special telephone lines for the United Nations organizations, the Chinese Organizing Committee, news organizations, and business centers at Beijing and in Huaiyou before the conference.

In addition, it will provide telecommunications services for international and domestic direct-dial phone calls, Internet, and e-mail, according to the official.

The UN conference on women will start on September 4, and the parallel NGO Forum will begin on August 30.

Jiang Chunyun Inspects Hunan's Hanshou County

HK1907074895 Changsha Hunan People's Radio
Network in Mandarin 2300 GMT 5 Jul 95

[FBIS Translated Excerpt] Accompanied by Governor Yang Zhengwu; Hu Biao, secretary general of the provincial party committee; Vice Governor Tang Damu; and principal leaders in charge of Changde City; Jiang Chunyun, member of the CPC Central Committee Political Bureau and vice premier of the State Council, inspected Hanshou County yesterday morning.

Wherever he went, Vice Premier Jiang Chunyun invariably asked about flood situation; called on disaster-stricken people; and extended greetings and appreciation to the People's Liberation Army [PLA] officers and soldiers, armed police officers and armed policemen, public security personnel, and people's militia men who were fighting in the flood-resistance forefront. [passage omitted]

At 0930 yesterday morning, Vice Premier Jiang Chunyun arrived at the Weidihu Dam, where he met with nearly 500 officers and soldiers of the Hunan Provincial Engineering Corps Academy, the Hunan-stationed PLA bridge-building team, the Hunan Provincial Armed Police Corps, and the Hunan-based public security organs who were fighting in the flood-resistance forefront. Vice

Premier Jiang Chunyun said to them: You have boldly come out to fight this severe flood at a crucial moment, and thereby have made tremendous contributions to the province's flood-resistance and disaster-relief work. The people are grateful to you! The party is grateful to you! On behalf of the CPC Central Committee and the State Council, I extend heart-felt respects to you!

After listening to a work report by the Hanshou County CPC Committee, Vice Premier Jiang Chunyun gave instructions on Hanshou's flood-resistance and disaster-relief work.

Youths Urged To Devote Themselves to Nation

*OW1807162025 Beijing XINHUA in English
1558 GMT 18 Jul 95*

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — A senior Chinese Communist Party (CPC) leader has called on the youths to devote themselves to the revitalization of the nation as well as to the goals of modernization.

Hu Jintao, a Standing Committee member of the CPC Central Committee's Political Bureau, said that Chinese youths should tie their personal ideals and dreams to the course of socialist modernization, and should inherit and carry forward the fine tradition of patriotism.

Addressing the opening of the national conference of the All Chinese Youth Federation and the All Chinese Students' Federation here today, Hu explained that the youths are a "vital new force" in speeding up development, expanding reforms, and safeguarding stability.

"In any circumstance, young people should keep a clear head and always take the nation's and the people's interests into consideration first. They must work hard to maintain social and political stability," he said.

He went on to say that they should learn from the pioneering spirit of older people, and that they should go about their work in a conscientious way.

The youths should study Deng Xiaoping's theory of building socialism with Chinese characteristics thoroughly, he pointed out, saying this will help them create the correct world outlook, attitude to life, and value system in the fight against the corrosive influence of money worship, hedonism, and selfishness.

Also, they should move to know more modern scientific and cultural knowledge while continuing to mix with the masses of workers and peasants, Hu emphasized.

They should uphold patriotism, unity, and progress, and carry out their activities under the leadership of the CPC, he stressed.

Hu also said that Chinese students who study abroad are national treasures and the country is hoping that they return, and anticipates that they will serve the motherland in various ways.

In addition, the youths should promote friendly contacts with their counterparts in Taiwan, Hong Kong, and Macao, as well as in foreign countries, Hu concluded.

Science & Technology

Daya Bay I Problems Delay Daya Bay II Pact

*HK1907060595 Hong Kong SOUTH CHINA
MORNING POST in English 19 Jul 95 p 5*

[By Elisabeth Tacey]

[FBIS Transcribed Text] China has demanded further monitoring of the performance of the troubled Daya Bay nuclear power plant before the final signing of contracts to build a sister station five kilometres away at Lingao. The news will come as a further embarrassment to the firms that built Daya Bay, following concerns about the main safety system, which failed international tests in February and kept one reactor out of action for seven months. A Daya Bay source said the delay showed the Chinese were being "very tough", and, "if we have more problems ... they might not sign".

The Chinese initialled the deal on July 14 in Beijing, before the July 15 deadline for final agreement set by the French and British governments, which are guaranteeing the deal. But Beijing is delaying the final signing in a move that could prompt the guarantors to demand a rise in the interest rate at which China is borrowing the \$21 billion cost. However, bankers yesterday said the guarantors were unlikely to risk scuppering the deal so close to finalisation.

Contracts for the Daya Bay replica are with the same team that built Daya Bay I — French nuclear supplier Framatome, state operator and technical adviser Electricite de France, and Anglo-French power equipment firm GEC-Alsthom.

Yesterday, Framatome said final signing by all three parties would take place "at the latest by October 15, pending confirmation to the Chinese authorities of the satisfactory performance of the Daya Bay nuclear power plant". Framatome representative Marie Carole de Groc said China's initialling of the agreement indicated its willingness to stick with the Framatome design. She said: "I understand that the financial conditions are not changed, the cost is not changed, but they want to watch (Daya Bay) for another three months." Even with the delay, the contracts should come into effect on January

15, with construction planned to start soon after that, she said. Start-up is scheduled for 2002.

Framatome has agreed to change parts of the mechanism at Daya Bay that drops safety rods into the reactors in an emergency, following two failed tests on the speed of drop in one of the two reactors earlier this year. The problem has not occurred elsewhere and has been blamed on a new design of tube that guides the rods into the reactor. Both reactors are currently running with some of the guide tubes replaced. Others will be changed at the beginning of next year.

The Daya Bay source said the Chinese "want to be sure that this new design works very well. They prefer to have some experimental results before signing anything". Ms de Groc said Framatome was "very confident" the solution would work.

National Fiber Optic Trunk Line Operational

OW1807161795 Beijing XINHUA in English
1556 GMT 18 Jul 95

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — A fibre optic cable trunk-line running the width of China from Beijing to southern China's Guangzhou has gone into trial operation.

The buried cable, known as the "backbone" of the country's telecommunications network, is 2,880 km long, and runs through Hebei, Henan, Hubei, Hunan and Guangdong Provinces to the southern tip, according to the latest issue of the People's Posts and Telecommunications News.

During trial use, the backbone cable will use ten systems providing 30,000 digital transmission lines. More telecommunication services could be offered by using a supporting network, the paper notes.

It took eight months to complete construction of the state key project, which used some loans from the Asian Development Bank.

Military & Public Security

PLA To Test-Fire Missiles Into East China Sea

OW1807121295 Beijing XINHUA Domestic Service
in Chinese 0955 GMT 18 Jul 95

[FBIS Translated Text] Beijing, 18 Jul (XINHUA) — XINHUA NEWS AGENCY has been authorized to make the following announcement:

The Chinese People's Liberation Army [PLA] will conduct a training for launching a surface-to-surface guided missile into the open sea on the East China Sea, a circular sea area with a radius of 10 nautical miles with the central point being 26 degrees 22 minutes north

latitude and 122 degrees 10 minutes east longitude, from 21 July to 28 July 1995. Chinese naval vessels and airplanes will be operating on and over the said sea area. For the safety of passing vessels and aircraft, the Chinese Government requests the governments of relevant countries and the authorities of relevant regions to advise the vessels and aircraft of their countries and regions against entering the said sea area and air space during this period.

Article Notes Successes in Modern Combat Training

HK1907052595 Beijing JIEFANGJUN BAO
in Chinese 28 May 95 p 1

[Report by Zhang Yongguo (1728 3057 0948) and Ren Yanjun (0117 3601 6511) from Beijing on 27 May: "Units of the Entire Army Are Conducting Training in Modern Combat Skills in a Hardworking and Thrifty Way"]

[FBIS Translated Text] A few days ago, we heard from relevant departments of the General Staff Headquarters that units of the whole army, during training to raise their capacity to wage war under modern conditions, have given powerful play to the fine tradition of training troops in a hardworking and thrifty way, and have explored avenues by which to fully utilize modern conditions in doing well in terms of training guarantees, and in guaranteeing the carrying out of training reforms in the units and the institutes, so as to achieve quite good training results with relatively little input.

In recent years, the units and institutes of the whole army have had heavy tasks and high demands in terms of deepening training reform. There have been marked increases in the demand for funds, materials, and sites. This has given rise to prominent contradictions between the training to improve the capacity to wage war under modern conditions and the insufficiency of existing guarantee conditions. In response, the leaders of the General Staff Headquarters and military training departments have issued numerous directives and circulars, and the units and institutes have seriously implemented the Central Military Commission's requirements with respect to subordinating themselves to the overall tasks of national economic construction to make it through the days of austerity, and they took upholding the training of troops in a hardworking and thrifty way as a basic guarantee and important avenue in deepening training reforms. The broad number of officers and men have consciously trained the troops in a hardworking and thrifty way, and leaders and organs at all levels have, in accordance with the tasks of training and existing guarantee conditions, actively explored avenues which are economic and highly efficient.

There are bright prospects for conducting training in modern combat skills in a hardworking and thrifty way. Training guarantee work throughout the army, in accordance with the demands of improving combat capacity under modern conditions, has continually improved guarantee modes and methods, centralized limited funds and materials, and focused on carrying out the coordinated construction of units' training guarantees, the construction of laboratories in institutes and specialized military classrooms, development and production of training simulation materials, and the building of training sites. In this way the limited funds can be used for more and better things. Today, 372 units throughout the army have completed the coordinated construction of training guarantees, and 1,260 construction projects, including specialized military classrooms, laboratories, and teaching facilities in institutes, have been completed. These have basically met the needs of training and educational reform. In light of the fact that the application of new technologies and equipment renewal have imposed new demands on training guarantees, there has been strengthened development and production of training simulation equipment, and 190 development projects have been completed. A number of items of simulation equipment have been brought to the training sites and these have reduced training costs and improved training quality. Training sites have been developed in accordance with the principles of using one site for diverse purposes, making use of what is

available locally, and suiting measures to local conditions. Thereby, over 3,000 training sites of various types have been established or improved. A number of major construction projects, including training bases, have also seen development.

Diverse avenues and methods have been adopted and efforts have been made to improve the benefits of training guarantees. The headquarters has formulated and improved a series of laws and regulations governing training guarantees, and has implemented standardized management for training guarantee work. In accordance with the changes in training guarantee tasks and the characteristics of guarantee targets, comprehensive administrative, economic, and technical management measures have been adopted. Through implementing methods and measures including follow-up effectiveness surveys, efficiency appraisal, innovation, and tapping of potential, the utilization efficiency of training funds, materials, and sites has been raised. Various units have widely developed mass activities for training troops in a hardworking and thrifty way, and the broad number of officers and men have set to work making, innovating, and repairing a large amount of training equipment. According to incomplete statistics, various units throughout the army have realized 300 achievements in terms of night training equipment innovation, in effectively improving training guarantee conditions, and in guaranteeing the improvement of units' ability to conduct night combat.

General

Chen Jinhua Discusses Economic Growth

OW1907063395 Beijing XINHUA in English
0546 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — China's economy has continued to develop in line with the government's macro-economic control policy this year, a senior Chinese official said here today.

As the State continues its efforts, the national economy is most likely to meet the targets for the whole year set at the beginning of this year, Chen Jinhua, Minister in charge of the State Planning Commission, told a press conference.

For the past six months, the economic situation has been basically stable thanks to appropriate macro-economic control measures, Chen said.

Figures from the State Statistics Bureau show that the Gross Domestic Product grew 10.3 percent in the first half of this year while inflation fell to 16 percent in June, 7.2 percentage points down from last December.

"All the major economic indicators we expect to go up have maintained proper growth and those we expect to fall have kept a downward trend," Chen said, expressing satisfaction with the mid-year results.

The government planned at the beginning of this year to reduce inflation, the growth of industrial production and the growth rate of fixed-asset investment. So far, these indicators have been dropping gradually, he said.

In the meantime, the agricultural sector, foreign trade and overseas investment in China have all registered remarkable growth as anticipated, Chen said.

"So, the fall in inflation and the government's measures to curb inflation have not led to big fluctuation in overall economic development, and the economy is running smoothly," he said.

Holding optimism about the economic development, Chen expected the Gross Domestic Product to expand at around 10 percent throughout the year of 1995, which he described as an "ideal rate".

Meanwhile, the government is stepping up efforts to further scale down price rises and bring annual inflation down from last year's 21.7 percent to around 15 percent, Chen said.

The state will keep a tight rein in fixed-asset investment and governments at all levels will make no new price adjustment in the latter half of this year, he stressed.

State Statistics Bureau Announces Half-Year Figures

Economy Grows 10.3%

OW1907020595 Beijing XINHUA in English
0147 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — China's economy has continued to develop basically on a healthy track this year, with the Gross Domestic Product (GDP) growing 10.3 percent in real terms in the past six months.

The State Statistics Bureau announced at a press conference here today that the GDP reached 2,213.9 billion yuan in the first half of this year.

The general situation of economic operations is turning for the better, and is developing towards the designed goal under macro-economic control.

'Optimistic' About Inflation

OW1907031095 Beijing XINHUA in English
0245 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — China's inflation is on an "optimistic" downward trend in the first six months, said Shao Zongming, deputy director of the State Statistics Bureau at a press conference here today.

He said that the retail price index in June rose 16 percent over the same period of 1994, down 7.2 percentage points from December of last year, when the country's inflation hit a high for the past five years.

"However, the inflation remains a severe pressure," he said.

The retail price index of the first six months of this year increased by 18.5 percent from the same period of last year, he said.

The retail sales of China showed a stable growth in the period, and the people's consumption standard was improved steadily.

The country's retail sales value of consumer goods amounted to 940.1 billion yuan in the first six months this year, up 30.8 percent over the same period of last year. Allowing for the effect of price changes over the period, the total increase should stand at 10.4 percent actually, Shao said.

The market demand for means of production had shown a trace of revival during the six months, with the sales going up noticeably.

Economy 'Healthy'

OW1907055595 Beijing XINHUA in English
0506 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — China's economy has continued to develop basically on a healthy track this year, with the Gross Domestic Product (GDP) growing 10.3 percent in real terms in the past six months.

The State Statistics Bureau announced at a press conference here today that the GDP reached 2,213.9 billion yuan in the first half of this year.

The general situation of economic operations is turning for the better, and is developing towards the designed goal under macro-economic control, said Shao Zongming, deputy director of the bureau.

Meanwhile, China's inflation is on an "optimistic" downward trend in the first six months.

He said that the retail price index in June rose 16 percent over the same period of 1994, down 7.2 percentage points from December of last year.

"However, inflation remains a severe pressure," he said.

The retail price index of the first six months of this year increased by 18.5 percent from the same period of last year, he said.

China's investment in fixed assets had been put under control in the first half of this year and the investment structure had been improved, Shao said.

The investment in fixed assets at state enterprises and other units in the first six months amounted to 376.4 billion yuan, up 22.2 percent over the same 1994 period.

While strictly controlling the overall investment volume in fixed assets, the state stressed such basic industries as agriculture, energy, posts and telecommunications, machinery and electronics, and infrastructures, as well as the country's pillar industries and key capital construction projects, he said.

The total agricultural added value in China in the first half of this year recorded an increase of 5.7 percent over the same period of last year, 1.7 percentage points higher than the comparable figure for 1994.

This year's Summer grain harvest is the second best throughout history, despite of the fact that some parts of the country have suffered from floods or drought, the official said.

Statistics show that the total Summer grain harvest has amounted to 106.55 billion kilograms, 2.25 billion kilograms more than that for last year.

China's industrial sector maintained a strong momentum of growth during the first half of this year, registering a 14 percent increase in real terms over that for same period last year, the State Statistics Bureau said.

The total industrial output value of industries at and above the township level reached 856.6 billion yuan during the January-June period of 1995.

State-owned industry witnessed a faster growth of 7.1 percent. Production-sales rates for all industries are going for the better with the total ratio climbing to 94.59 percent, 1.86 percentage points higher than the corresponding period of 1994.

The retail sales of China showed a stable growth in the period, and the people's consumption standard was improved steadily.

The country's retail sales value of consumer goods amounted to 940.1 billion yuan in the first six months this year, up 30.8 percent over the same period of last year.

Chinese urban and rural residents saw a continued increase in their individual income in the first half of this year, he said.

From January to June, Chinese urban residents earned an average of 1,968 yuan in individual income for living expenses, up 31.7 percent over the same period of last year, or up 8.8 percent in real terms.

The cash income (with production costs included) of rural residents stood at 758 yuan on the average in the six months, a 37 percent increase over the same period of 1994, or 12 percent up in real terms.

The export volume of China in the first half of this year hit 69.8 billion U.S. dollars, up 44.2 percent over the same period of last year.

Meanwhile, the import volume reached 56.6 billion U.S. dollars, up 15.2 percent.

As a result, China recorded a foreign trade surplus of 13.2 billion U.S. dollars in the period.

In the six months, actual direct investment from overseas businessmen amounted to 16.4 billion U.S. dollars, an increase of 11.3 percent.

He said that China's foreign exchange reserve continued to be on the rise.

He admits that some problems still perplex the country's economic operation, noting high price increase and poor efficiency in enterprises.

Fixed Asset Investment 'Under Control'

OW1907030295 Beijing XINHUA in English
0222 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — China's investment in fixed assets had been put under control in the first half of this year and the investment structure had been improved, Shao Zongming, Deputy Director of the State Statistics Bureau, said at a press conference here today.

The investment in fixed assets at state enterprises and other units in the first six months amounted to 376.4 billion yuan, up 22.2 percent over the same 1994 period.

While strictly controlling the overall investment volume in fixed assets, the state stressed such basic industries as agriculture, energy, posts and telecommunications, machinery and electronics, and infrastructures, as well as the country's pillar industries and key capital construction projects, he said.

Industrial Output Grows 14%

OW1907030995 Beijing XINHUA in English
0255 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — China's industrial sector maintained a strong momentum of growth during the first half of this year, registering a 14 percent increase in real terms over that for same period last year, although the growth pace slowed down a little bit, the State Statistics Bureau (SSB) announced here today.

The total industrial output value of industries at and above the township level reached 856.6 billion yuan during the January-June period of 1995, the ssb said at a press conference.

State-owned industry witnessed a faster growth of 7.1 percent. Production-sales rates for all industries are going for the better with the total ratio climbing to 94.59 percent, 1.86 percentage points higher than the corresponding period of 1994.

Individual Income Continues To Rise

OW1907031195 Beijing XINHUA in English
0241 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — Chinese urban and rural residents saw a continued increase in their individual income in the first half of this year, an official from the State Statistics Bureau said at a press conference here today.

From January to June, Chinese urban residents earned an average of 1,968 yuan in individual income for living expenses, up 31.7 percent over the same period

of last year, or up 8.8 percent in real terms, said Shao Zongming, deputy director of the bureau.

The cash income (with production costs included) of rural residents stood at 758 yuan on the average in the six months, a 37 percent increase over the same period of 1994, or 12 percent up in real terms.

The urban and rural residents' savings deposits increased by 403.7 billion yuan, 89 billion yuan more than the comparable figure of last year.

Official Details Economic Survey Methodology

HK1907060795 Hong Kong SOUTH CHINA
MORNING POST in English 19 Jul 95 p 10

[By Jasper Becker in Beijing]

[FBIS Transcribed Text] Bringing inflation down to 15 per cent this year has been China's top economic priority. And according to the State Statistical Bureau, the target was reached this month in 20 of the 35 major cities.

Ren Caifang, director of the bureau's urban socioeconomic surveys, dismisses accusations that the figures are massaged to meet political goals. He explained how the bureau gathers and analyses data on the retail price index. "We carry out household surveys which are probably the largest in scope anywhere in the world," he said. The bureau monitors the income and spending of 90,000 households. And its 8,800 staff and 10,000 assistants trudge around the shops and markets in 550 cities and counties checking the prices of goods.

Mr Ren is responsible for gathering data about the most sensitive political barometer in China, the incomes of urban households. He relies on information based on the diaries kept by 30,000 households on their income and expenditure. They carefully record their budgets for around five yuan (HK\$4.70) a month. "They are even required to record the amount of children's pocket money and how it is spent," he said. Each household is visited four times a month and the data is checked twice before it is fed into a computer.

An investigation by domestic banks into urban incomes suggested data was misleading because it did not include income other than salaries. The survey pointed to annual income rises of 40 per cent, well above national economic growth rates. "We guarantee that the data we receive is kept confidential so we think people are honestly reporting their real incomes, even if it's from gambling," he said.

Rising labour costs are considered inflationary because they push up factory gate prices. If basic goods are in short supply, more disposable income can lead to too

much money chasing too few goods. The reliability of information on incomes is also import to validate the Government's claim that the urban population is happy despite rising prices. [sentence as published] "In the big cities real incomes are up 13 per cent in the past 12 months even after taking inflation into account," Mr Ren said. Beijing believes this economic dissatisfaction fuelled political unrest in 1989.

While some analysts are sceptical that this year's smoothly falling consumer prices paint a true picture, Mr Ren bristles at the suggestion street prices are not accurately reflected. "Our price inspectors visit the markets once in the morning, then again the afternoon," he said. [sentence as published]

The basket of goods and services calculated to produce cost of living indexes and relative weight given to each item is another reason outside analysts give for mistrusting figures. The composition of the baskets is frequently adjusted and differs from city to city but is never disclosed. "We do that to prevent anyone from trying to interfere and manipulate the figures," Mr Ren said.

Changing consumption patterns are also taken into account. Items like Mao suits or army shoes once regularly worn are no longer included. More weight is given to the prices of stereos and washing machines. Even for affluent urban dwellers, the bureau calculates food accounts for 49 percent of household expenditure although this is down from 53 per cent a few years ago. Mr Ren believes the biggest source of inflation is rising grain prices.

Figures Show National Savings Rate Highest in World

*OW1907031295 Beijing XINHUA in English
0232 GMT 19 Jul 95*

[FBIS Transcribed Text] Geneva, July 18 (XINHUA) — China has enjoyed the highest savings rate in the world since the 1970s, according to statistics published here recently by the International Monetary Fund (IMF).

The latest statistics recorded from 1989 to 1993 showed that China's national savings rate — the percentage of the gross national product (GNP) in savings accounts — exceeded 35 percent. China is followed by South Korea, Japan, Thailand, Indonesia, Switzerland, China's Taiwan province, Malaysia, Algeria and Iran.

Over the same period, however, the savings rate plunged from 21.2 to 14.9 percent in the United States, from 19 to 12.7 percent in Britain and from 23.1 to 13.3 percent in Canada, according to the statistics.

Beijing Improves Quality of Housing Construction

*OW1807140695 Beijing XINHUA in English
1327 GMT 18 Jul 95*

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — China is paying close attention to the quality, as well as the quantity, of housing construction in its drive to ease the nationwide housing shortage.

According to Hou Jie, Minister of Construction, the country's annual input in housing construction totals 14 million yuan (about 1.67 million US dollars), or 7.6 percent of the country's GNP.

The nation's annual housing construction space has reached one billion sq m., equal to the total construction of a dozen medium-sized countries.

Per capita living space for urban dwellers has increased to 7.7 sq m., as compared with a mere 3.6 sq m in 1978.

However, with the living standards of the Chinese people rising and living space growing, people want better housing conditions.

Most Chinese want to have well-equipped residences with better facilities and a comfortable environment. They are particularly concerned about the quality of construction as many problems have emerged.

A national survey has shown that some 30 percent of the commercial housing in Shanghai and 24 percent in Beijing have leakage problems, and dripping or leaking water in toilet facilities are a common nationwide problem.

The minister said that, in the country as a whole, particularly in the countryside, the design and building materials for housing construction are far from meeting desired standards, and techniques used in housing construction remains at a low level.

The quality of housing construction must be raised, the minister said, and the focus should be on quality instead of quantity.

To drastically improve the quality of China's housing as well as the residential environment, the State Science and Technology Commission and the Ministry of Construction are introducing a "comfortable housing science and technology project" for the year of 2000.

The project is intended to improve housing by combining science and technology with the development of housing products.

To realize the goal of providing eight sq m of living space per capita by the year 2000, China needs to build 200 million sq m of quality housing annually over the next five year, according to the minister.

The government also plans to put in 150 billion yuan (about 17.86 billion US dollars) in developing the State's real estate sector this year, with 80 percent to be used in developing general housing.

Output of Textiles Jan-Jun

HK1807031895 Beijing CEI Database in English
17 Jul 95

[FBIS Transcribed Text] Beijing (CEIS) — Following is a list of the output of textiles in January-June 1995 released by the State Statistical Bureau:

Item	Unit	1-6/95	1-6/94
Yarn	10,000t	251.17	250.50
Yarn	10,000pc	1397.76	1394.03
Cloth	100m.m	95.07	88.41
of:Pure cotton	100m.m	50.45	48.12
Chemical fiber	100m.m	29.26	28.79
Silk	10,000t	4.05	4.49
Silk fabric	100m.m	15.87	14.90
Woolen fabric	10,000m	14186.78	13752.40
Knitting wool	10,000t	16.14	14.02
Garment	100m.pc	20.32	18.22

Notes: t — ton, pc — piece, m.m — million meter, m.pc — million piece

*General Manager Comments on Three-Gorges Project

95CE0398A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese 20 Mar 95
No 11, pp 30-31

[Article by Wen Fan (2429 0416): "Lu Youmei Interviewed in Hong Kong About Three-Gorges Project"]

[FBIS Translated Text] Lu Youmei, Three-Gorges Project Development Corporation general manager, en-route home via Hong Kong after attending an exchange program in Taiwan yesterday, briefed reporters at a symposium on the status of the engineering feat of the century, the Three-Gorges project. General manager Lu also answered questions from reporters on how he viewed some of the possible negative impacts of the project. Since this journal has published in the last issue an article by Liu T'ieh-chun [0491 6993 6511]

on "Commercial Opportunities Made Available by the Three-Gorges Project," this article will focus on questions which have attracted foreign media attention and comment, and which may also be of concern to our readers.

Imperative of the Project: Flood Prevention

To begin with, is the Three-Gorges project absolutely necessary and, if so, what are its main objectives? As General Manager Lu put it, this engineering project is the key to developing the Changjiang river, particularly in controlling and managing it. Because of silting over a long period of time, in the middle section of the river below the Three Gorges, the water level would crest six to 17 meters above both banks during the annual flood season, thus endangering the lives of 25 million people and 500,000 hectares of farmland along both banks of the river in the central plain region. It should be noted that in the 1954 flood, some 10,000 lives were lost, 3 million mu of farmland was under water, and the livelihood of 18 million people was affected. It goes without saying that economic development of the region through which the river flows was seriously affected.

Lu Youmei pointed out that the conceptual planning for the project did not begin today. Beginning in the 1970's, several generations of people have planned, surveyed, experimented, and debated this project. Through the debates, a deeper understanding of the project developed.

After New China was established, particularly after the reform and opening up had been in effect, conditions changed with dealing with the "inherently disastrous problem of recurring floods." Under these circumstances, if one does not try to get at the root causes of this problem, one would have to be held answerable to history. After hearing the above introduction, one wonders whether those people who consider this project to be "reaching beyond one's grasp" or, "a monument erected to glorify the public image of an institution or person", are not being overly simplistic.

Feasibilities of the Project: Benefits and Availability of Capital

Granted the project is necessary, its implementation nevertheless depends on feasibility. Through meticulous and repeated calculations, a series of data was compiled that indicated the project is realistic and practicable.

That point was made clear in the special article published earlier as mentioned above. Nevertheless, after hearing the explanation from Lu Youmei, one gained a deeper understanding of the issues involved.

The Three-Gorges project is the third largest hydroelectric power project ever constructed in the world, and

it requires capital on a massive scale. On the basis of 1993 currency values, the static capital investment was estimated at 90 billion yuan, 40 billion of which was for civilian relocation costs. With inflation and loan interest payments taken into account, the dynamic capital investment will range between 240 and 300 billion yuan, or about three times the estimated total static investment. To raise the necessary capital, thorough planning was done carried out with capital investment to come from the following six sources: 1) the Three-Gorges Construction Fund (based mainly on collecting 0.004 yuan per degree of electricity consumed in the nation); 2) income from the Gezhouba Dam [further downstream and built in the 1970s and 1980s]; 3) income from electricity when parts of the Three-Gorges project come on line in 2003; 4) loans from the China Development Bank; 5) bonds to be issued and sold abroad; and 6) export credit and commercial loans to be obtained from abroad. However, based on studies made by foreign securities firms such as the U.S. Morgan Stanley Investment Bank and Japan's Nomura Securities on the possibility of raising capital by issuing stock on overseas markets, the decision was made to postpone this step for now. However, such a step will be taken in or after 2003 when the first phase of the project will come on line. At that time, foreign capital will be needed to alleviate the critical capital shortage when the investment requirement will be at its peak from 2003 to 2006.

General Manager Lu stated that when the first phase of the project comes on line in 2003, income from electricity will be immediately plowed back into the project. He estimated that by 2010, when all debts will have been retired by the income from electricity, the cash flow will be positive. Furthermore, as a result of improvements to the river channel, 10,000-tonnage ships will be able to sail directly to Chongqing, thereby increasing the river's navigational capacity five-fold. Cheap electricity made available to areas along the river will energize local economic development. Among the cities along the river, prospects for Yichang's development, are particularly favorable.

As everyone can see, the Three-Gorges project will open up great current and potential commercial opportunities for enterprises engaged in construction, material supply, mechanical-electrical manufacturing, and communications; and also for related international advanced enterprises which were discussed in the previously published article by Liu. General Manager Lu further revealed that in terms of single hydraulic generators alone, the project will need 26 such units of 700-800,000 kilowatt capacity, and that the Three-Gorges project's demand for such equipment presents a major commercial opportunity in

which many of the world's well-known manufacturers have already expressed an interest.

Regarding the Question of Negative Impact

At the symposium, Lu Youmei answered questions concerning the possible negative impact of the Three-Gorges project. One question was concern over possible damages to the dam in case of war. The main Three-Gorges dam is a gravity dam with a 130 meter wide base which can withstand bombing of regular warfare and, when necessary, can also be drained. But to apply the standard of survival in nuclear warfare to dam construction is unrealistic, since the Three-Gorges project will certainly not be able to withstand any nuclear attack. In reality, the various factors involved in war are very complex and discussing these separately is difficult indeed.

As to whether the dam might bring about earthquakes, or damage the ecological system, these questions are not as serious as people generally assume. Any major construction project of this type can induce earthquakes, but the magnitude of most quakes should not exceed five degrees on the Richter scale. The project amounts to the widening of the Changjiang river in a non-seismic area and is constructed to withstand quakes up to seven degrees. Enforcing inspections and monitoring will minimize any damages. By the same token, any impact on the ecological system should be analyzed in specific terms. Any engineering project on this scale will lead to changes in the ecological environment. The question then is: what will be the resultant benefits and damages as far as the impact of the Three-Gorges project on ecology is concerned? Research has concluded that the advantages outweigh the disadvantages as far as the impact of the Three-Gorges project on ecology is concerned. Take the example of concern over the Chinese sturgeon. This species is now raised by man-made methods and the fish no longer lays eggs by swimming upstream. Another example is the famous white-fin dolphin which basically lives downstream and is not affected by the project. On the other hand, because the need for burning coal will be reduced in areas along the river, acid rain will be reduced, and the amount of carbon dioxide emissions cut by 120 million tons according to preliminary estimates. The serious silting in the Dongtinghu lake is well known to all. With flooding of the Changjiang river brought under control, the problem of the Dongtinghu lake getting smaller year by year will be resolved as well.

Protecting cultural relics and scenery of the Three Gorges are issues frequently raised and discussed by the media and public abroad, and some claim that the project means "Farewell to the Three Gorges." But the

number of cultural relics and scenic spots submerged by the construction will not be as large as people may imagine. The project has no great effect on Baidicheng, Shibaozhai, Fengdu Quicheng or the Zigui Qu Yuan temple. The main impact will be on the Zhangfei temple in Yunyang which will have to be moved and reconstructed elsewhere. However, that temple has been rebuilt numerous times and is no longer the original temple.

Lu Youmei believes that the project will bring great potential benefits and will greatly energize rapid economic development in the region along the Changjiang river and the nation as well. Perhaps that may not be the end of the story, since the Three-Gorges project may inspire people to think up ways to improve life.

Pilot Cities Promote Enterprise Reform

95CE0448A Beijing JIDIAN RIBAO in Chinese
1 Jun 95 p 2

[Article by Xin Hua (6580 5478): "State Enterprise Reform in 18 Cities Shows Vigor"]

[FBIS Translated Text] Pilot programs in 18 cities to "optimize capital structure" that focus mainly on "capital increase, upgrading, diversification, and bankruptcy" have been underway for a year now. The news from the State Economic and Trade Commission is that in the last year, these 18 cities have acted in line with the overall state economy in their respective regions and on the basis of an inventory of assets and funds have clarified "resources," designated the industries and enterprises to be supported, curbed, or phased out, have combined reorganization with restructuring and upgrading, and have started to pursue within their regional economies an optimum structural strategy to "reinforce the large, invigorate the small, reorganize the good, and give new life to the bad," with hundreds of losing enterprises now having been "revived" through reorganization.

In line with the new industrial layout, Shanghai Municipality has classified state enterprises into four types, taking various steps to invigorate asset inventories: 1) It has developed key industries and large enterprises whose products have large market share. With state capital dominating, they have used a way to attract other capital, in the form of corporations started with authorized holdings combined with multiple legal persons, to organize into a number of large groups. 2) In a second category are state enterprises, while not large in size, have clear development direction. Through forms such as selling, restructuring to shareholding cooperatives, and downsizing of operating units, they have been given full operating autonomy to compete and grow in the market place. There are now 4,000 such sharehold-

ing system [joint stock] enterprises. 3) There are also enterprises that are managed and run well. In a step-by-step and standardized way, they have conducted pilot programs in a modern enterprise system and coordinated reform. 4) Finally, there are inefficient, poorly managed, and long-losing enterprises with no prospects for reversing losses. Through steps such as mergers, separation, downsizing of operating units, wholesale land leasing and upgrading, and bankruptcy, they have been given a new lease on life. Since 1991, over 500 Shanghai enterprises have been merged, converted to other production, or shut down, with more than 250,000 employees and nearly 6 billion yuan in fixed assets of former enterprises transferred to new enterprises.

Changchun's method is called "six groups:" 1) A group of enterprises that conforms to state industrial policy and with more vigor has been incorporated and restructured, with 145 such enterprises having been restructured in 1994; 2) A group of enterprises headed by dominant industries with brand name products and advantages and with assets as the tie has been formed and enlarged into groups, with 11 enterprise groups composed of municipal industrial and trade enterprises having been so formed in 1994; 3) A group has been upgraded through attracting foreign investment, with 23 Changchun enterprises now having been upgraded through attracting foreign investment; 4) A group has been joined and merged, with 12 outstanding Changchun enterprises having merged [taken over] inferior enterprises in 1994; 5) A group has been shut down, closed, merged, and converted, involving 51 enterprises; 6) A group has gone bankrupt, with five enterprises set to go bankrupt first.

Practice has proved that reforming, reorganizing, and upgrading state enterprises on a larger scale, as opposed to doing so by each enterprise unit, can prevent recklessness; it resolves problems that enterprises find hard to settle themselves, while helping to give state assets more liquidity, focuses them in outstanding industries, and thus enlarges the state assets "pie." The proof is that through reorganizing state enterprises, the 18 cities have rapidly expanded their respective outstanding industries, acquiring a group of new key industries on the rise.

The state enterprise reorganization process is actually one of excellence through competition, with the difficulty and crux of the matter both being the elimination [or phasing out] part. The 18 cities now have about 150 enterprises in bankruptcy, of which 51 concluded their bankruptcies in 1994, with the rest undergoing bankruptcy formalities or having made advance bankruptcy plans. Of the 51 enterprises that have concluded their bankruptcies, four were large enterprises, with 20 being medium enterprises, which must be said to have been a

rare breakthrough. In addition, the 18 cities have accelerated their pace in absorbing losing enterprises through forms such as mergers, associations, and holdings; they thus have eliminated a sizeable number of losing enterprises. A very crucial reason why the 18 pilot cities were able to make such good progress in disposing of the matter of losing enterprises is that they found new outlets for their surplus personnel. For instance, Shanghai Municipality used the method of separation first and bankruptcy later for 16 bankrupt enterprises, first separating valid assets out from bankrupt enterprises to form 35 new enterprises, which smoothly moved to new jobs 20,000 of the 26,000 employees who lost their jobs due to the bankruptcies, giving them new occupations to better resolve the conflict between bankruptcy and stability. To take another example, Changzhou set forth the six major workforce separation methods of "separation with assets, through transfer to other jobs, through job registration, through development, through retirement settlement, and through buyout," to create widespread job outlets, and to achieve a feasible workforce reorganization route through enterprise reorganization.

Meanwhile, because the pilot cities have gradually clarified their respective regional advantages, and determined their industrial and product advantages, it has stimulated an awareness of and initiative for faster technological upgrading, with all 18 pilot cities having now set forth "Urban Enterprise Technological Upgrading Plans" or "Technological Upgrading Programs," and generally pursuing a "brand name driven strategy." These cities are also turning to ways that enable them to use differential land rents, convert creditor rights to stock rights, to offer income tax rebates, accelerate appreciation, attract foreign investment, sell shares to raise funds, absorb idle social capital, sell small state enterprises, reinvest capital funds, and apply better fund use efficiency to actively increase enterprise capital and instill vigor.

Although state enterprise reform now still faces many difficulties, enterprise practice in the pilot cities has provided state enterprise asset inventories more liquidity as fast as possible, and by reorganizing their assets through a combination of efficiency and outstanding assets, may yet be considered a good way to improve enterprise economic efficiency. Emphasizing large enterprises and deregulating small ones, by using forms such as associations, mergers, bankruptcies, and reorganizations to better deploy incremental resources in line with market needs, would seem to be a way to reverse the status quo of large-scale losses in the state enterprises.

Finance & Banking

Interview With New Central Bank Governor

*HK1907083595 Hong Kong WEN WEI PO in Chinese
17 Jul 95 p A2*

[Dispatch by staff reporters Liu Yung-pi (0491 3057 4310) and Yang Fan (2799 1581): "In an Interview With This Newspaper, Dai Xianglong Points Out the Central Bank Is To Adopt Four Measures To Reduce Unsound Loans and Prevent Violent Fluctuations in Currency Value"]

[FBIS Translated Text] Beijing, 14 Jul — In an interview with our staff reporters here today, Dai Xianglong, the new governor of the People's Bank of China, said: The unsound loans [bu liang dai kuan 0008 5328 6313 2949] of China's four specialized banks account for 20 percent of the total size of loans, with bad debts [dai zhang 0714 1600] accounting for 2-3 percent. With more enterprises going bankrupt, the ratio of bad debts may rise still further. He indicated: The central bank will adopt four measures to reduce the unsound loans to 15 percent in two years, reaching the operational and management level of the world's ordinary banks by the end of this century.

Dai divided the unsound loans into three categories: The first is overdue loans, meaning those loans that cannot be repaid on the due date; the second is dead loans [dai zhi dai kuan 0714 3333 6313 2949], meaning those loans that cannot be repaid after they have been overdue for three years, and will not be extended or rolled over; the third is bad debts, including those whose borrowers are dead, those that cannot be recovered because the enterprises have gone bankrupt, those that cannot be recouped owing to natural disasters, and those that need not be repaid by approval of the State Council.

As regards the 20 percent unsound debts, he pointed out: The central bank will adopt the following management measures: First, as of July, new loans issued by commercial banks should be handled independently by the banks according to stipulations, and no department is allowed to intervene; second, efforts should be made to recover previous bad debts and overdue loans; third, enterprises yielding good results are encouraged to merge poor ones, and the former will be given preferential treatment in interest rates in the first two years; and fourth, when an enterprise cannot offset its debts with assets or cannot repay its debts, and goes bankrupt, the income from the sale of the enterprise should first be used to ensure the livelihood of the staff members, and then to repay the debts as far as possible, and if it is impossible to do so, the bad debts will be written off by the banks. The banks will draw 0.8 percent annually

from loans as a bad debt reserve fund, which will be used to write off bad debts. It is estimated that 25 billion yuan will be drawn this year, and that the rate will be raised to 0.9 percent next year, and to 1 percent the following year.

He added: Through these measures, the ratio of unsound loans will be reduced from 20 percent to 15 percent in two years, and will reach the operational and management level of the world's ordinary banks by the end of this century.

Dai stressed: The function of the central bank is to formulate and implement a monetary policy under the leadership of the State Council, and to maintain the stable value of the renminbi. The target of the central bank's monetary policy is unitary, rather than pluralistic. A stable currency value does not mean a fixed one, but it is necessary to prevent violent fluctuations in currency value within a short period of time. Generally speaking, it is acceptable for price increases to remain below 5-6 percent.

When asked whether the change from state-owned specialized banks to commercial banks will result in a relaxed or tightened money supply to state-owned enterprises, Dai pointed out: The change from state-owned specialized banks to commercial banks is a reform of mechanism. It helps to improve economic results, loan quality, and the banking industry's service standards to enterprises, as well as to select superior enterprises while eliminating inferior ones. Naturally, under this reform, loans to enterprises with poor results will be tightened.

Talking about opening China's banking industry to the outside world, Dai told these reporters: So far, more than 120 foreign banks have set up business organs in China. Their profits have risen year by year, reaching \$40 million in 1993, over \$90 million in 1994, and over \$50 million in the first half of this year.

Dai added: The renminbi business is still not open to foreign-funded banking institutions, which are allowed to operate only such business as foreign exchange deposits, credits, and settlements. There are still three conditions to be met to open the renminbi business: First, the tax rates for domestic and foreign banking institutions have yet to be unified, with the tax rate standing at 15 percent for foreign banking institutions, 33 percent for shareholding commercial banks, and 55 percent for state-owned commercial banks; second, the laws on foreign banking institutions have yet to be perfected; and third, the renminbi has yet to be freely convertible into foreign exchange. In spite of this, the central bank is still vigorously creating conditions. It plans to carry out experiments on the volume or

scope of the renminbi business to be carried out by foreign-funded enterprises. The methods for the relevant experiments are being worked out.

Official Says Conditions for Futures Lacking

OW1707170995 Beijing XINHUA in English
1611 GMT 17 Jul 95

[FBIS Transcribed Text] Beijing, July 17 (XINHUA) — China still has a long way to go before it has the proper conditions for a financial futures market, according to a researcher with the central bank.

Xie Ping, deputy director of the Policy Research Department of the People's Bank of China, said that a prerequisite for financial futures trading is a highly developed spot financial market with prices decided by market forces.

Without these, the financial derivatives market could go wildly off course, Xie said.

The irregular flow of financial and policy information could also have a considerably negative effect on financial futures trading, Xie said, citing the country's treasury bond futures market, which was suspended on May 18, as an example.

A free market and prices call for an internal interactive mechanism among traders. But traders of publicly-held units often care little about profit or loss, Xie pointed out.

He explained that public ownership has, to some extent, provided a gambling house for those with their hands on public funds.

Improper surveillance among government departments can make financial futures trading even riskier, Xie noted.

"Generally speaking, it's improper for China to develop a financial futures market," Xie said. "Risks may outweigh benefits."

Big losses by many financial institutions participating in futures trading have exposed banks to more and greater risks, Xie said, adding that rapid development of futures and financial derivatives will greatly harm the stock market.

"Also, the current enterprise system is not the sort for financial futures," Xie explained.

He suggested that China should concentrate its efforts on developing financial spot markets and then follow the global course of money market to spot capital market to financial futures market, which often took 100 years in history.

However, the whole process may not take that long in China, Xie noted.

Hu Angang on Boosting Central Finance

*HK1907052695 Beijing JINGJI RIBAO in Chinese
2 Jun 95 p 2*

[Article from "Economic Forum" column by Hu Angang: "Check the Declining Finances of the Central Government"]

[FBIS Translated Text] Starting in 1994, China began to introduce a revenue-sharing system based on a rational division of functions and power between the central and local authorities. This move is aimed at bringing about major changes to the existing system, and raising "two proportions" by a large margin, namely the proportion of the government's financial revenue in the GDP [preceding in Roman letters] (Gross Domestic Product) and the proportion of central finance revenue in the GDP.

According to the newly issued "Report on the Implementation of the State Budget in 1994 and the Draft of Central and Local Budgets for 1995" as well as statistics released by the State Statistical Bureau in its "Statistical Communiqué on National Economic and Social Development in 1994," this writer has come to the following conclusion:

First, the proportion of the government's financial revenue in the GDP has further declined. In 1994, financial revenue stood at 518.175 billion yuan, while GDP totalled 4,380 billion yuan. This shows that the financial revenue accounted for only 11.8 percent of GDP, down 4.4 percentage points over the previous year.

Second, China is among those countries in the world with the lowest proportion occupied by the revenue of their central finance in the GDP. In 1994, the country's central financial revenue stood at 288.922 billion yuan, making up 6.5 percent of the GDP. According to a report released by the World Bank, the revenue of the central finance in 1989 accounted for 20.1 percent of GNP [preceding in Roman letters] in the United States, 14.1 percent in Japan, 35.6 percent in Great Britain, 40.9 percent in France, 29 percent in Germany, 20.2 percent in Canada, 15.4 percent in India, 17.8 percent in Pakistan, and 18.4 percent in Indonesia. Compared with these countries, China's central finance remains extremely weak and fragile, and its revenue has fallen to the lowest level in history.

Third, with an increasingly declining financial strength, the central finance has no alternative but to expand its scale of liabilities. Owing to a further decline in

its economic strength in 1994, the central finance was forced to increase the issuance of internal loans. The scheduled income from such loans in 1995 is expected to reach 153.742 billion yuan, making up as much as 27 percent of the country's total financial revenue and 47.8 percent of the revenue of the central finance, up by 4.3 and 7.1 percentage points respectively over the previous year. Of the total, the amount of funds earmarked for construction remains at the same level as 1994 as a whole; while the amount of funds used for repaying both capital and interest on many domestic and external debts has increased by 36 billion yuan, thus pushing up sharply the proportion of such funds in the total revenue from loans to 55.9 percent. This change in the debt structure serves to show that the proportion of debt servicing has exceeded the proportion of construction expenses.

During a recent period, the four major issues of inflation, agriculture, regional disparities, and state enterprises have become the focus of people's attention, sparking general concern among all walks of life. One of the root causes for these four points at issue is the serious decline in the financial resources of the central government.

What leads to the failure of the central government to check the further decline of its financial strength even after its introduction of the revenue-sharing system? Many complicated reasons contribute to this situation.

First of all, the adoption of the revenue-sharing system means a major readjustment to the former setup of interest distribution between the central government and local authorities. Judging from the design of the current revenue-sharing system, the central government has made fairly big concessions to local authorities, and has tried to make as few major readjustments to the former setup of interest distribution as possible. Under the current system, the amount of revenues returned to local finances by the central government is unduly high; moreover, since the system still retains the practice that local authorities are responsible for their own finances after handing a fixed proportion of their revenue to the state, rich provinces can get back more from the state while the poor ones get less. Such a practice fails to facilitate a discriminating financial distribution in accordance with the financial system of transfer payments, thus weakening the financial strength of the central government on one hand and expanding regional disparities on the other. Second, it is a common practice for many local governments to adopt the countermeasures of "mixing up taxes" and "mixing up treasuries." This means that some local governments have deliberately incorporated taxes that should be collected by the central government into the list of local taxes, and deliberately put into local

treasuries tax revenues that should have gone to the state treasury.

Third, there exist many "small leaks" in the unified tax system. The continued practice of policies on extending tax exemptions, tax reductions, and preferential tax treatments, which were drawn up in the past by provincial-level governments and relevant State Council departments, has led to a great drain on tax revenues. Take the revenue of customs tariff alone. In 1993, the actual duty rate stood at 4.2 percent, much lower than the nominal duty rate. As a result, the loss of tariff revenues incurred by tariff reductions and exemptions alone in 1993 is estimated to be at least 90-95 billion yuan. The export tax rebates totalled 44.5 billion yuan in 1994, and is expected to reach 55 billion yuan in 1995. Though this situation is undoubtedly favorable to stimulating the growth of exports, it also suggests a considerable drain on the revenue of customs tariff, thus prompting certain localities to engage themselves in the common practice of defrauding the state of export tax rebates. In addition, many serious problems also constitute major causes of the huge losses of tax revenues. These include the malpractices of defaulting tax payments, postponing the imposition of taxes, and imposing levies at low rates, problems with the collection of individual income tax, and such prominent problems as poor management, failure to enforce the law strictly, and tax evasion.

This writer believes that the most important move for the moment is to drastically raise the "two proportions." To do this, we need to adopt the following measures: First, the revenue-sharing system must be put into practice in an effective and thoroughgoing way; second, it is imperative to introduce the financial system of transfer payments, abolish the previous practice by which the central government was supposed to return financial revenues to local authorities according to former base figures, adopting instead a differentiating method in distributing the financial aid of the central government to different localities sequenced on the basis of each locality's per capita GDP; third, in line with the principle of unifying tax systems and rates, steps must be taken to abolish the policies of extending tax reductions, tax exemptions, and preferential tax treatments, lower the nominal duty rates so as to ensure the actual revenue of customs tariff, and cut down export rebates by large margins; and fourth, it is necessary to reinforce management over tax collection and install a system whereby severe punishments will be meted out to those who default or evade tax payments.

Figures Show Improved 'Control' Over Bank Loans
OW1907034995 Beijing XINHUA in English
0323 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — China has imposed better control over bank loans in the first half of this year and has exercised readjustment on the loan structure.

The net volume of currency withdrawal from circulation totalled 28.5 billion yuan by the end of June, an increase of 20.1 billion yuan over the same period of last year, according to official statistics announced at a press conference here today.

The easy monetary situation has laid a solid foundation for the fulfillment of the loan-control target this year, an officials with the State Statistics Bureau said.

Convertible Bonds Floated in Switzerland
OW1807051495 Beijing XINHUA in English
0430 GMT 18 Jul 95

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — The China Nanbo Group Co. Ltd has successfully floated 45 million U.S. dollars-worth of convertible bonds in Switzerland, today's "China Securities" reported.

This is the first time China has formally given approval to an enterprise to issue abroad bonds which can be converted into B- shares (reserved for overseas investors).

The convertible bonds enjoy a coupon interest rate of 5.25 percent. Over the next five years, starting August 2, the bond-holders will be able convert the bonds into the Nanbo B-shares listed on the Shenzhen Stock Exchange.

The bonds can be traded among Swiss banks, but are not allowed to be listed on the Swiss stock market.

Nanbo, a major glass producer in China, issued the convertible bonds to pool capital to finance its expanded production.

Experts said the successful floatation of the convertible bonds paves a new way for Chinese enterprises to raise capital abroad and also indicates that China's stock market has been further internationalized.

Shanghai, Shenzhen Markets See Sharp Rise in Trading*HK1807090195 Beijing CHINA DAILY in English
18 Jul 95 p 7*

[Article by Ren Kan: "Shanghai, Shenzhen Markets See Sharp Rise"]

[FBIS Transcribed Text] The Shanghai and Shenzhen stock markets yesterday embraced an encouraging sharp rise when the trading value expanded remarkably.

The Shanghai index gained 42.65 points to close at 695.45 while the Shenzhen index climbed 27.77 to close at 1,084.7 points.

The Shanghai market opened at 651.91 and enjoyed a continuous rise to touch the day's high of 700.58.

Advances outnumbered declining issues 204 to eight, with 13 remaining unchanged. All the declining issues were B stocks.

Yizheng Chemical Fiber rose the most, 20.19 per cent, to close at 3.25 yuan (\$0.39).

Sichuan Changhong registered the smallest rise, 2.38 per cent, to close at 12.06 yuan (\$1.45).

The total transaction value yesterday rose by 232 per cent to hit 2.59 billion yuan (\$312 million).

Brokers with Guotai Securities attributed the sharp rise to the eruption of buying forces which have gradually gathered power in past weeks.

They predicted the market would try to surpass the 700 level in the coming two days.

But they pointed out yesterday's rise is only a temporary rebound, which could disappear at any time. It does not mean the bullish market has come back.

The Shenzhen market opened at 1,062.3 and once touched a high of 1,090.05 points.

Among Shenzhen listed stocks, 143 rose, six dropped and 22 remained unchanged.

Suzhou Sanshan rose the most by 10.14 per cent, to 3.07 yuan (\$0.36) while Bao'an Convertible Bond dropped 3.1 per cent to 0.96 yuan (\$0.11).

The daily transaction value rose by 87 per cent to 702 million yuan (\$84.57 million).

The Shanghai B-share market continued its moderate rise with the B-share index up 0.43 points to 56.28.

Forever Bicycle rose by 10.14 per cent to close at \$0.15 while China 1st Pencil dropped by 3.1 per cent to \$0.25.

The Shenzhen B-share index rose 2.13 points to close at 646.68.

Tsann Kuen rose the most, by 6.95 per cent, to close at 2 Hong Kong dollars (\$0.26).

Shenzhen Shenbao dropped the most, 12.5 per cent, to 1.05 Hong Kong dollars (\$0.13).

First Quarter's Financial Statistics Published95CE0424A Beijing JINRONG SHIBAO in Chinese
29 Apr 95 p 1*

[Article by Jin Rong (6855 5554): "First Quarter's Financial Operations Were Steady, Trends Are Excellent; Proven by First Quarter 1995 Statistical Document Authorized for Publication Here"]

[FBIS Translated Text] A statistical document authorized for publication here today by the People's Bank of China shows that, since the beginning of the year, financial departments have conscientiously implemented the "fiscal principle of conducting a suitably tight monetary policy, further strengthening financial monitoring, improving financial services and firmly restraining inflation". State macroregulation and the monetary policy implemented by the central bank have yielded good results. In the first quarter, fiscal operations have been steady with good trends. Relevant departments' analyses and forecasts believe that fiscal operations are developing toward the planned goals of macroregulation.

One: Good Situation on Monetary Returns

At the end of the first quarter, net cash returns totaled 1.75 billion yuan, while all cash issued before the Spring Festival has been returned; compared with the return situation for festivals in previous years, this is a good situation. At the end of the quarter, the market currency circulation volume was 72.71 billion yuan, a 24.4 percent rate of increase for the same term. There are three chief reasons for the first quarter's cash return. One is the citizens stable anticipation of inflation, so they increased saving deposits, and issuance of savings bonds went smoothly. The first quarter net saving deposit increased by 222.83 billion yuan, an increase of 27.35 billion yuan over the same period previously: The treasury bond issuance which started in March progressed very successfully, which played an important role in promoting cash returns. Two, there was a further increase in commodity sales returns: During the first quarter, commodity sales returned 428.06 billion yuan, a 28.5 percent growth rate for the same term, and a 3.8 percent increase over the same term last year. Three, there was a decline in the growth rate of consumer prices: In the first quarter, wage-type cash withdrawals from banks increased 28.9 percent over the same term last year; the comparative growth rate from the same term last year dropped by 11 percentage points; the cash

cost of administrative enterprise management costs grew by 28.2 percent; and the growth rate dropped by 17.2 percentage points.

Two, Steady Growth in Savings Deposits of All Types: In Some Industries, Capital Is Quite Sufficient

During the first quarter, enterprise savings deposits in state-owned banks increased 64.63 billion yuan, an increase of 8.06 billion yuan over the same term last year. This was due largely to the significant rise in savings deposits from industrial and other enterprises: These two items together grew by 49.73 billion yuan, which constituted 76.9 percent of the total increase. In the quarter, fixed-term saving deposits showed the greatest increase among enterprise deposits, increasing by 7.1 billion over the same term last year, reflecting that some enterprises had a great deal of extra capital and that the capital situation was eased.

In the first quarter, urban and suburban residents' savings deposits increased by 222.83 billion yuan, an increase of 27.35 billion yuan over the same term last year, an increase of 38.5 percent; among these, the January and February increases were the most rapid, with increases of 79.58 billion and 140.92 billion yuan respectively. In March, the concentrated treasury bond issuance, with its high return of interest caused a readjustment of residents' capital mix. The phenomenon of shifting saving deposits was rather common and increased by only 2.2 billion yuan.

Three, the Pace of Lending Growth Was Normal, There Was Definite Improvement, the Overall Scale Was Controlled Within the Plan.

In the first quarter, lending by the national bank increased by 45.64 billion yuan, which was 10.69 billion yuan more than the same term of last year. One, industrial loans increased by 15.55 billion yuan, an increase of 6.05 billion yuan over the same term last year; it supported industrial enterprises production inventory, and guaranteed the stable growth of industrial production in the first quarter. Two, agricultural loans increased by 4.87 billion yuan. Three, long- and medium-term loans increased 9.64 billion yuan, guaranteeing the capital requirements of state key construction projects. Although there were was a considerable amount of new lending this year, it was within control of the plan, the total volume was appropriate, and there was a definite improvement in the mix.

Four, the Market Exchange Rate Rose While Basically Maintaining Stability; National Reserves of Foreign Exchange Continued to Increase

Last year, successful progress in foreign currency system reform promoted foreign trade development. In the first quarter of this year, China's import and export trade continued to maintain its good situation. Based upon consumer statistics, gross export volume in the first quarter was 30.95 billion dollars, which was a 62 percent increase over the same term last year. Gross import volume was \$23.87 billion, a 16.9 percent increase, and accomplishing a \$7.08 billion surplus. The nation's foreign exchange reserves reached \$58 billion, up \$6.4 billion since the beginning of the year, a 12.4 percent increase. The Renminbi exchange rate continued to remain stable from the beginning of the year.

Looked at from the financial angle, the major problems in first quarter financial operations were: The growth in currency supply volume was still too high, the currency supply volume in the narrow sense M_2 increased by 27.9 percent over the same period last year, while the currency supply volume in the broad sense M_1 increased by 35.9 percent, a considerable gap from attaining the adjustment and control objectives. Looked at macroeconomically, the economy overall operated quite well during the first quarter, but we still must do more to comprehensively achieve the year's macroadjustment goals. For this, the central bank must continue to persist in the appropriate tight money policy, expanding macroadjustment power. Also it must further regulate the newly increased loan mix, guaranteeing the financial requirement for national key construction projects and the policy-type financing of agricultural and by-products purchases, etc., increasing the force of agricultural input. In addition, the central bank must strengthen management of bank debts and the credit balance rate; improving the security, circulation and profitability of credit capital usage. Also it must regulate fiscal order, strictly balance discipline, reduce enterprises' delay in repayment, and speed up the circulation of capital. It must strengthen the management of foreign currency and coordinate foreign currency policy. Likewise it must stay with reform, expand rediscounting, and bring the leverage function of interest rates into play as well as regulating and developing the capital market and doing a good job of macroregulation. We should make our best effort to stabilize the value of currency, promoting a significant decline in the rate of price inflation.

**1995 First Quarter Financial Statistics State Owned
Banks Credit Balance Information (Unit: 10 Million
Yuan)**

Item	Balance At End of First Quarter of 1995
Each Item of Deposit	31792.66
Enterprise Deposits	12161.77
Financial Deposits	1140.89
Institutional Deposits	767.83
Urban Savings Deposits	17389.61
Agricultural Deposits	179.00
Other Deposits	153.56
Bonds	858.04
Debt to International Financial Institution	222.36
Currency in Circulation	7271.03
Banks' Self-Owned Capital	2231.62
Intra-Industry Commerce	4510.40
Other	-1445.10
Total Capital Sources	45441.01
Various Loans	32934.39
Industrial Manufacturing Loans	7568.76
Material Supply & Sales Enterprise Loans	1016.91
Commercial Enterprise Loans	10164.91
Construction Enterprise Loans	788.14
Urban Collective Enterprise Loans	963.14
Individual Industrial and Commercial Loans	21.00
Agricultural Loans	1627.12
Fixed Asset Loans	8097.72
Three Types of Capital Enterprise Loans	700.86
Other Loans	1986.13
Bond Purchases	2010.67
Cash Consisting of Gold	12.04
Cash Consisting of Foreign Exchange	5023.28

Item	Balance At End of First Quarter of 1995
Assets in International Financial Institutions	379.16
Financial Debts	1582.06
Intra-industry Commerce	3499.41
Total Capital In Circulation	45441.01

Note: Scope of state-owned banks includes: the People's Bank, banks of policy application, state-owned commercial banks, the Transportation Bank, and the China Trust Industrial Bank.

**Foreign Exchange Rate, Gold and Foreign Exchange Re-
serves**

Item	1995		
	January	February	March
Foreign Exchange Rate:			
One Special Withdrawal, Right Unit Equivalent to Yuan (Figure at End of Term)	12.4253	12.5883	13.1107
One US Dollar Equivalent to Yuan (Figure at End of Term)	8.4384	8.4316	8.4269
One US Dollar Equivalent to Yuan (Average Figure)	8.4413	8.4354	8.4276
Gold Reserves (In Ten Thousand Ounces)	1267	1267	1267
National Foreign Exchange Reserves (In 10 Millions of Yuan)	547.89	573.86	579.60

***Article Views Impact of Foreign Exchange Reserves**

95CE0424B Beijing JINGJI CANKAO BAO
in Chinese 18 Apr 95 p 1

[Article by Li Yang (2621 2254) of the Financial Research Center, Chinese Academy of Social Sciences: "Growth of Foreign Exchange Reserves Draws Analysis; Massive Influx of Foreign Capital; Insufficient Domestic Use of Reserves"]

[FBIS Translated Text] In 1994, China made great achievements in foreign currency reform, with the renminbi foreign exchange rate rising while basically remaining stable. The nation's foreign exchange reserves grew by \$30.4 billion during the year. However, foreign exchange system reform also brought a new problem with it: Since we implemented an extremely strict foreign exchange (balance) system and the People's Bank of China participated directly in foreign currency market trading among banks, the increased foreign exchange reserves directly formed the foundation for currency issuance for the People's Bank of China. So in the past year, the newly increased basic currency for purchasing foreign exchange went as high as about 300 billion yuan. Facing this situation, it is natural that there would be many discussions on the relationships among foreign exchange reserves, the currency supply, and inflation.

The increased foreign exchange reserves will no doubt cause the People's Bank to increase basic currency which is issued through the purchase of foreign exchange. However, whether the total volume of the currency supply will increase depends on the overall arrangement of currency policy. We have seen that the People's Bank has adopted very strict measures aimed at controlling the special factors which caused the foreign exchange reserves to grow so rapidly. For example, it terminated deficits and lending to state financial institutions, made large scale reductions to financial institutions, and reduced some of the special projects loans, establishing special Renminbi savings deposits services for each financial institution, etc. This means that the People's Bank has taken some measures to "wash away" the pressures on the basic currency supply caused to a certain degree by the foreign exchange reserve growth. The statistical documents show that since last year, China's cash (M_0) supply volume has grown by 24.3 percent, basically achieving the planned goal of 20 to 25 percent growth; currency in the broad sense (M_2) increased by 34.4 percent, a definite drop from last year. In 1994, the rate of inflation in China reached 24.1 percent, while the GDP increased by 11.8 percent. Combining these indexes, we would conclude that compared with the past several years, last year's currency sup-

ply volume did not put too many new pressures on the rise in prices. This means that the impact of last year's foreign exchange system reform on China's currency supply was the chief reason behind the central bank's changes in the structure of its basic currency input. The growth in foreign exchange reserves and the currency supply which is closely linked to it seems not to be as responsible for last year's inflation as people thought.

However, the impact of the growth of foreign exchange reserves on the gross domestic supply and demand and price levels is not only just through currency supply. To reach a more comprehensive conclusion, we must also analyze whether the growth in foreign exchange reserves is due primarily to regular projects or to capital projects. Meanwhile, we also need to analyze the relationship between these two types of projects. If China's regular projects of international balance, especially trade projects, basically maintain a balance, or even show a deficit, then China's savings deposits and investments, its gross supply and demand should also basically be in balance. Otherwise, if regular and capital projects both occur in circumstances of surplus, it would mean that the increase in foreign currency has a definite impact on last year's inflation.

It is worth noting that if the increase in foreign exchange reserves can be attributed to the huge inflow of foreign capital, then it could possibly have the negative effect of replacing domestic savings deposits. This would mean that domestic savings deposits could possibly be set aside, lay dormant, or be used for unproductive purposes. If this situation continues, the interest rate on domestic savings deposits could go down, weakening the foundation of economic growth. We already know that of the various factors which led to Mexico's financial crisis, this factor was the most destructive and fundamental and is already taking place in some parts of China. Last year, China used a total of more than \$40 billion dollars in foreign capital. However last year, savings deposits in China's state-owned banks increased by 794 billion yuan, while bank loans only increased 516.1 billion yuan; comparing the two factors, we see that more than 277.9 billion yuan in bank deposits lay dormant in banks. The increase in volume of bank deposits was greater than that of loans. While this is, of course, due to our implementation of strict controls on the scale of bank loans, it may also have played a certain role in restraining inflation. However, in a situation where imported foreign capital went as high as several tens of billions of dollars and the domestic bank savings deposits which were absorbed by high interest costs lay dormant, it was at least a double waste. Insightful analysis shows that in last year's imported foreign capital, quite a bit was imported in

order to get around domestic loan scale limitations and obtain Renminbi capital by using the foreign exchange market among banks; furthermore, some of it was short-term international "traveling capital" aimed at obtaining profit. This sort of foreign capital inflow will do no good in developing China's economy in any sense.

The above analysis shows that last year's foreign exchange management system reform has raised a series of new questions for China's macroregulation.

First, the changes in the People's Bank's basic currency supply mix has brought significant changes in the flow of China's currency supply. This change has been profound. In the past, the flow of currency supply in China was, basically, from the central bank to specialized banks and then from the specialized banks it was allocated to the whole of society; last year's situation was from the central bank to foreign exchange holders, and then from foreign exchange holders to the whole of society. This sort of change has meant that the traditional currency regulatory mechanism which was focused on controlling cash and the scale of credit can no longer accomplish the goals of financial macroregulation. This makes it urgent that we seek a set of regulatory goals which can be more functional in reflecting and affecting economic practical operations, as well as regulatory measures which are more suited to the market. We especially must find and create some "wash away" systems that can cope with such shocks as that which we received from last year's foreign exchange reserves.

Second, reform of the foreign exchange system has created more and tighter associated channels for China's economy and the world economy. For instance, whereas in the past China's macroregulation only had to consider "internal" balance, today, with China's economy opening further to the outside, we must take into consideration the problem of balancing the "internal" and "external" together. It means that further opening to the outside economy confronts us with the extremely contradictory mission of maintaining internal price stability and economic growth with external foreign exchange rate stability and international balance. In order to cope with this new situation, we must consider new strategies in regard to our macroregulatory goals, policy measures and the various ways in which those measures are coordinated.

Third, while we still cannot assess to what degree the phenomena of foreign investment inflow and the insufficient use of domestic savings deposits can coexist simultaneously, it is also difficult to assess from the ample research on the subject whether it will go on for the long term. The occurrence of this phenomena is

sufficient to make us think seriously about this: While taking advantage of foreign capital, how should we fully encourage and use to the best advantage our domestic savings deposits. We believe that in a situation where domestic income is growing rapidly, dependence on foreign capital is very high, and the transnational flow of capital is carried out on quite a large scale, we should conscientiously think about China's strategy in using foreign capital.

Foreign Trade & Investment

Gu Xiulian Welcomes Foreign Investment

OW1807124595 Beijing XINHUA in English
1019 GMT 18 Jul 95

[FBIS Transcribed Text] Qingdao, July 18 (XINHUA) — Multinationals which introduce hi-technology into China are welcome to control shares in Chinese enterprises, according to official sources.

Whether to allow giant foreign companies to have shares in our enterprises depends on whether "they bring in hi-tech to upgrade our technology," Minister of the Chemical Industry Gu Xiulian told a meeting of managers and heads of large and medium-sized chemical plants.

The past few years have seen more and more overseas companies invest in China through controlling enterprise shares, as many foreign companies are reshaping their global strategy to make incursions into China's thriving market.

Gu cited Shell, a multinational enjoying a trade volume of over 100 billion US dollars a year, which has decided to raise its investment in a chemical project in south China's Guangzhou Province to 5.4 billion US dollars from the initial three billion US dollars.

How to properly deal with the co-operation in the form of share control is an issue affecting the development of joint ventures in China, Gu said.

The foreign involvement has added much to Chinese products' competitiveness on the international market, and has created more jobs for China's abundant labor sources, the minister said.

Official Says Patent Protection 'Successful'

HK1507074795 Beijing CHINA DAILY in English
14 Jul 95 p 1

[Article by Xu Yang: "Minister Says Patent Protection Is A Success"]

[FBIS Transcribed Text] China's 10-year old patent system has set a successful example in shaping the country's market mechanism, a science official has said.

Patent protection has been outstanding among all intellectual property issues, State Councillor and Minister of the State Commission of Science and Technology Song Jian said.

He told a delegation from the European Patent Office (EPO), headed by its president Paul Braedli, that China thanked foreign countries which have helped China to build its patent registration, management and protection system in the last decade.

The development of patenting in China has greatly improved awareness of intellectual property rights, Song said.

Since the end of last month, the Patent Office has received 470,000 applications and granted 240,000 patents.

About 80,000 foreign inventions have also sought acknowledgement from CPO and the number rises by 10,000 annually.

Braedli, who has visited Shanghai, Hangzhou and Suzhou, said his delegation was surprised about people's sense of protecting patents.

The EPO delegation is in China to discuss further co-operation with CPO in training, documentation and automation.

Braedli said that EPO thinks it of importance to train judges.

He said the EPO will do its utmost to make the European patent regulations accessible to Chinese companies and inventors which want to do business in Europe.

Song said China's IPR protection agreement with the United States is also applicable to European countries.

He said that the Chinese Government fully understood the significance of protecting property rights as it planned to develop high-tech industries in the next few years.

Foreign Trade Rises in First Half of 1995

OW1907025795 Beijing XINHUA in English
0217 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — The export volume of China in the first half of this year hit 69.8 billion U.S. dollars, up 44.2 percent over the same period of last year.

Meanwhile, the import volume reached 56.6 billion U.S. dollars, up 15.2 percent.

As a result, China recorded a foreign trade surplus of 13.2 billion U.S. dollars in the period, said an official

of the State Statistics Bureau at a press conference here this morning.

In the six months, actual direct investment from overseas businessmen amounted to 16.4 billion U.S. dollars, an increase of 11.3 percent.

He said that China's foreign exchange reserve continued to be on the rise.

Japanese Firm To Manufacture Fluorescent Tubes

OW1907065695 Beijing XINHUA in English
0630 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — Matsushita will become the first Japanese company to produce fluorescent tubes in China at the start of next year.

According an agreement signed by the Japan-based Matsushita Electronics Co. Ltd, Matsushita Electrical Co. Ltd and their Chinese partner, the Japanese companies will invest in a new plant at the Beijing Matsushita Color Kinescope Corporation.

The new plant, involving an investment of 2.5 billion Japanese yen, will manufacture fluorescent tubes in a variety of styles, and will begin to turn out mini-fluorescent tubes in 1997.

Most of the products will be sold on the Chinese market, according to the "CHINA MACHINERY AND ELECTRONICS DAILY".

So far, of the country's annual output of two billion light bulbs, fluorescent tubes account for only 10 percent, although they are three or four times as efficient as other types of electric lighting.

The paper said that fluorescent tubes will probably become a vogue in both homes and offices in the next few years.

Beijing Police Seize Pirated Laser Discs

OW1907070795 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0900 GMT 18 Jul 95

[FBIS Translated Text] Hong Kong, 18 Jul (XTS) — Recently, 10,580 pirated laser discs were seized in Beijing's Haidian District, more than 1,300 of which were pornographic. This is the biggest case of pirated laser discs investigated in the Beijing area so far.

It has been learned that all four offenders involved in the case are natives of Chaoyang County, Guangdong. After leasing an underground rest house for military cadres in the Wukesong area of Haidian District for use as a storehouse, they airlifted the pirated laser discs

to Beijing. They supplied the goods to Beijing law-breakers after contacting them through a BP [expansion unknown] device.

Haidian District's Police Station has adopted the method of combining open administration with secret investigation to cope with the situation in Beijing's Zhongguan-cun Electronics Street, where pirating of laser discs has continued despite efforts to ban such activity. In July alone, 21 people suspected of being involved in such offenses were detained.

Beijing's First Foreign Bank Starts Operation

OW1807161895 Beijing XINHUA in English
1555 GMT 18 Jul 95

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — The Bank of Tokyo's Beijing Branch, the first foreign bank in China's capital, started operation this morning.

Li Qiyang, mayor of Beijing, and Chen Yuan, deputy governor of the People's Bank of China, attended an inauguration and ribbon-cutting ceremony held this morning.

The Bank of Tokyo, which was established in 1880 and has 242 billion U.S. dollars in assets, has done business with China for four decades and provided some projects in China with loans.

It has also opened branches in Shanghai, Dalian, and Shenzhen and has set up agents in Guangzhou and Chengdu cities.

According to local officials, Beijing now has 3,400 financial institutions of various kinds. By the end of June, the volume of deposits at various banks increased by 37.04 billion yuan compared with the beginning of the year, while savings deposits hit 100.14 billion yuan, up 15.21 billion yuan compared with the same period of last year.

Sato Yoshiyasu, Japanese Ambassador to China, also attended today's opening ceremony and deposited the first money in the branch bank.

The Hongkong and Shanghai Banking Co. has also been approved to open up a branch in Beijing and will begin operation soon, according to sources.

***Trade Diplomat Views Sino-Philippine Relations**

95CE0476A Beijing GUOJI SHANGBAO in Chinese
9 Jun 95 p 1

[Article by Zou Yun'er (6760 6663 1422), economic and commercial affairs attache, Chinese Embassy in

the Philippines: "Rapid Expansion Ahead for Sino-Philippine Economic Relations and Trade"]

[FBIS Translated Text] This year marks the 20th anniversary of the establishment of diplomatic relations between China and the Philippines. On 9 June 1975, the same day that the two governments established diplomatic relations, they also signed a trade accord. During the past two decades, economic cooperation and trade between China and the Philippines have grown significantly as a result of the efforts of both governments and their business and trade communities.

Trade has increased rapidly from a small hesitant beginning.

Back in 1975, when China and the Philippines established diplomatic relations, bilateral trade was a mere \$65 million. It grew rapidly in the following years, reaching \$320 million in 1981, up 33 percent on the average each year. For a variety of reasons, however, bilateral trade languished between \$200 and \$400 million each year throughout the 1980's up until 1992.

The Philippine government has eased foreign exchange controls in the past two or three years to encourage foreign trade and attract more foreign investment. As a result, the economy has recovered and has been expanding in recent years. The fast and sustained growth of the Chinese economy and the steady deepening of foreign-trade reform laid a solid foundation for the expansion of Sino-Philippine trade. Since April 1993, in particular, when President Ramos of the Philippines announced before his visit to China the abolition of the "trade reciprocity" policy introduced more than three years ago, bilateral trade has taken off with added momentum, bringing to an end the stagnation which had lasted for years. Bilateral trade totaled \$495 million in 1993, up 35.6 percent from 1992, meeting the \$400-\$600 million trade target set for that year under the two nations' trade protocol. Sino-Philippine trade hit \$748 million in 1994, a gain of 51.1 percent from the preceding year, both record highs. In the first three months of this year, bilateral trade continued its robust growth to reach \$197 million, up 49.2 percent from the same period a year ago. Sino-Philippine trade is projected to top \$900 million for all 1995. Leading Chinese exports to the Philippines include beverages, coal, raw materials for the chemical industry, machinery and equipment, and light industrial and textile products. China imports mostly copper products, chromium, chemical fertilizers, coconut oil, and petroleum products from the Philippines.

Economic cooperation: rapid development and diversification.

Sino-Philippine economic cooperation has achieved an impressive size after making rapid progress in the last two or three years. With their governments' encouragement, the two nations have increased investment in each other. Project contracting is a growing business. By late 1994, China had set up 42 enterprises and economic and trade organizations in the Philippines, including eight wholly Chinese-funded enterprises, 19 joint ventures, six projects under contract, three labor-exporting operations, five representative offices, and one whole-plant service unit. All told almost 500 Chinese worked in those enterprises. According to incomplete statistics, their combined investment was \$62.88 million, of which \$40.02 million came from the Chinese side.

China has been building joint ventures, cooperative ventures, and wholly Chinese-owned enterprises in the Philippines most enthusiastically. They can be found in a broad range of fields, from trade, information services, commodity inspection, and insurance to textiles, dyeing, chemicals for daily use, mining, drilling, cement, real estate, electrical appliances, and electrical instruments. To boost Chinese electrical and machinery exports to the Philippines, the Chinese Machinery and Equipment Import and Export Corporation has opened an electric meter, water meter, and disconnecter assembly plant in the Philippines in cooperation with a local partner. The establishment of the plant made it possible to provide after-sale services and to supply parts and components, which, in turn, has enabled China to steadily expand its market share in the Philippines for these three products, earning a handsome profit in the process.

Chinese project contracting in Philippines is making good progress.

Chinese companies have won contracts to build roads, harbors, hydropower stations, train stations, power transmission lines, water-carrying tunnels, and public markets in the Philippines, with the projects costing as much as \$100 million. The forms of contracting are highly diversified. While turnkey projects, the traditional format, remain popular, more attention is being paid to the BOT [build, operate, transfer] method widely used in the world today. The Chinese Harbor Construction Corporation won a bid to build Sections 3 and 4 of the Feiri highway. Because of conscientious project construction and management, not only was the project completed ahead of time, but the quality of the work was so outstanding that it was cited as a model project by the Ministry of Construction of the Philippines. Chang Jiang Power Company was contracted to renovate the Binjia hydropower station using the BOT format. Despite the extremely difficult circumstances—the power plant had to continue to generate electricity even as it was being renovated—

the project was completed with no disruption to its operations. In the end not only did the project pay off handsomely in financial terms, but it also has enhanced the standing of Chinese companies in the Philippines.

Great potential, bright future for Sino-Philippine economic and trade cooperation.

Today the Philippines has achieved political stability. Having rebounded from the recession of several years back, its economy grew 5.1 percent last year and is projected to expand from 6 to 6.5 percent this year.

The Philippines has been lagging in infrastructural development. Among them, the Asian Development Bank, the World Bank, the Japan Overseas Cooperation Fund, and other multilateral financial organizations have provided the Philippine government with about \$2 billion in loans and aid to help it improve its infrastructure. The Philippine government has drawn up an investment plan to build large projects such as highways, power plants, harbors, wharves, and airports in the next several years. Chinese companies are experienced in putting together such projects, offer sophisticated technology, and boast a high successful bidding rate. Chinese participation in these projects may also pave the way for increasing machinery and equipment exports to the Philippines.

The Philippines has a fragile industrial base, its enterprises are on the small side, and its technology is quite backward, as are its agriculture and management. It also is highly dependent on imported technology and foreign equipment. Chinese equipment, technology, and small plants are well suited to the Philippines and competitively priced. Provided the problems of quality and post-sale services can be worked out, they will certainly win a substantial slice of the Philippine market.

The Chinese economy is now in a state of sustained rapid expansion and its people's living standing has been rising steadily, making it possible to increase imports from the Philippines. As long as there is a demand for them in China, and as long as they are dependable in quality and competitively priced, China will strongly encourage Chinese companies to import them from the Philippines. In the next few years China would continue to increase its imports of such Philippine products as petroleum products (liquefied petroleum gas and refined oil), mineral products (copper, chromium, manganese, and nickel), and plywood. There is also a robust domestic demand for fresh and preserved tropical fruit, of which the Philippines is a major producer, other farm products, and aquatic products.

Not long ago the Philippine government decided to remove China from the restricted list of socialist countries with centrally planned economies. Now that the

last artificial trade barrier between the two countries has been eliminated, Sino-Philippine trade will truly rest on a footing of equality and mutual benefit, which could only boost bilateral economic relations and trade.

China and the Philippines are friendly neighboring countries. Their bilateral trade is highly complementary and has great potential and bright prospects. We believe that Sino-Philippine economic relations and trade will experience even greater expansion through the joint effort of the two governments as well as their industrial and commercial communities.

***Environmental Issues' Effect on Foreign Trade**

***Policy Suggestions**

95CE0469A Beijing GUOJI SHANGBAO in Chinese
17 Jun 95 p 4

[Article by Sun Zhenyu (1327 2182 1342), vice minister of foreign economic relations and trade: "Policy Suggestions To Strengthen Environmental Protection and Promote Foreign Trade"]

[FBIS Translated Text] Environmental protection has become a common concern among all nations in the world. The threat posed by environmental pollution in the wake of global economic growth has attracted more and more attention. The "greenhouse effect," acid rain, soil erosion, deforestation, the sharp decline in the number of plant and animal species, decertification, and the depletion of the ozone layer are all deteriorating around the world. Both developed nations and their developing counterparts are confronted with the herculean task of protecting the environment and preventing the spread of pollution. Meanwhile, environmental protection is playing an increasingly important role in international economic intercourse and trade as well.

1) Important Place of Environmental Protection in Foreign Economic Relations

Developed nations in the West are making increasingly stringent environmental protection demands concerning trade and economic cooperation. A variety of environmental protection organizations, including the group "Greenpeace," are wielding more and more clout in normal economic and trade matters. Succumbing to pressure from environmental protection groups, for instance, state governments in the northwestern United States have banned the exports of timber from trees on federal lands to ensure the survival of the spotted owl. In the name of wildlife preservation, some people in the United States and Europe have been lobbying for years to outlaw the fur trade, even going so far as to take extremist actions against fur stores and fur-clad indi-

viduals. As the public clamor for environmental protection becomes louder and louder in recent years, Western developed nations have also demanded that imported goods meet increasingly strict environmental protection standards.

— There are stringent specifications regulating pesticide residues in every kind of food. Japan has set standards for 47 residues in imported rice.

— Strict restrictions have been imposed on lead content in ceramic products.

— The wu lu lai phenol residue in leather must not exceed a predetermined limit.

— To protect the ozone layer, the production and use of controlled substances such as foamed plastic used in making refrigerators and air conditioners as well as hair spray will be phased out beginning in 1996.

— Western nations have introduced an environmental symbol system one after another. The classification of certain products as "ecological symbol" products and "blue angel" products has greatly stiffened their environmental protection standards, presenting a daunting challenge to developing nations as exporters.

On the one hand, these stringent requirements reflect the priority environmental protection widely enjoys among all nations. On the other hand, they arouse suspicion that the West is misusing environmental protection laws to erect new trade barriers. The new crop of harsh regulations will have a highly adverse effect on Chinese exports. The environmental symbol system in effect in some nations alone will affect almost \$4 billion worth of Chinese exports. In addition, the International Ozone Layer Protection Convention will jeopardize about \$5 billion worth of Chinese exports.

2) Take Positive Actions To Seize Initiative in International Competition

The Chinese government takes environmental protection seriously and considers it a basic national policy. Each year China spends 20 billion yuan to fight pollution. Add other investments in forest protection, soil preservation, and plant and animal protection and the total annual spending would not be less than 100 billion yuan. Nevertheless, an unbalanced industrial structure has combined with a low level of technology to create a serious environmental pollution problem.

The Chinese government has worked mighty hard to cut back on pesticide residues in exports. Back in 1982, the State Council issued an order prohibiting the production and use of DDT and 666, making China the first developing nation to do so. However, pesticide

residues in many types of food exports still fail to meet Western standards.

To improve China's position in international competition, we must do a good job in these areas on the environmental protection front.

1) Formulate a comprehensive body of environmental protection laws and regulations. Where an applicable law exists, it must be complied with. Those who violate the law must be brought to justice.

We must rely on the law to strengthen environmental protection. Thus far China has created the rudiments of a body of environmental protection legislation, consisting of laws, administrative regulations, and technical standards. However, environmental protection legislation that relates to foreign economic relations and trade is still less than comprehensive. We must redouble our effort to prepare all necessary laws and regulations, including a drug law, a pesticide control law, a biological products law, a toy law, and a product packaging law.

2) Intensify publicity and education and enhance the entire population's environmental protection consciousness.

The more culturally accomplished a people, the more conscious it is of environmental protection. We need to publicize environmental protection and educate the people in it extensively so that they protect the environment on their own initiative. In particular we need to do more to publicize the International Environmental Protection Convention and various environmental protection standards so that comrades in foreign economic relations and trade fully appreciate the profound importance of environmental protection in China's foreign economic relations and trade and develop a sense of crisis and urgency about it.

3) Adopt measures to limit the growth of pollution-causing enterprises.

The government's review and approval of rules governing such heavy polluters as small coal mines, building materials and paper-making plants, metallurgical works, and dyeing plants must be tightened. Existing enterprises must be ordered to meet environmental protection standards by a specified date. In reviewing applications to build enterprises either wholly or partially foreign-funded, the government should be careful to strictly limit the number of pollution-causing projects in order to prevent some nations and regions from exporting high-pollution industries to China.

4) Develop products with an environmental protection symbol and green food. Increase their exports.

China has developed a host of new-tech and hi-tech products in recent years that are environmentally friendly, including domestic electrical appliances like low-fluorine refrigerators and air conditioners, phosphorous-free laundry detergents, biological pesticides, water-based paint, and lead-free gasoline. Their presence has put China in a strong position to expand exports and compete internationally. As they venture into manufacturing, China's foreign trade enterprises should increase investment in environmental protection in accordance with a plan and develop residue-free pesticides and biodegradable plastic film to chart a new path that would lead to the exporting of pesticide-residue-free green food.

In short, environmental protection is a long-term and arduous task. The entire population must make a joint effort to contribute to the development of China's foreign economic and trade cooperation and to benefit future generations.

***Commentator on Environmental Issues**

95CE0469b Beijing GUOJI SHANGBAO in Chinese
17 Jun 95 p 1

[Commentary: "Environmental Protection Critical to Boosting Foreign Trade"]

[FBIS Translated Text] The environment is the basis for human existence and development. The impact of environmental protection on international economic relations and trade has been growing in the wake of global economic development. As a developing nation with 1.2 billion people, China faces the dual pressure of a huge population and fast economic growth as it grapples with environmental pollution. Already environmental deterioration has adversely affected China's imports and exports as well as its foreign economic and technological cooperation.

Take a look at exports. Owing to environmental pollution and a disruption of the ecological balance, some of the natural resources China used to export in large quantities to earn foreign exchange have been shrinking in quantity or declining in quality as a result of past ill-considered and unchecked overhunting or overexploitation. Consequently their availability for export has become or will become problematic. In other cases, their exporting has been banned or restricted under international or domestic environmental protection laws. There are also cases where the commodities are no longer exportable because they exceed pesticide residues standards or other specifications. If this situation continues, the supply of goods for export will drop sharply, perhaps even to the point of utter exhaustion. We can sum

up the scenario in one sentence: Either we have nothing to export or we cannot export the stuff we do have.

China no doubt has been enormously successful in utilizing foreign capital, importing technology, and in other areas of foreign economic and technological cooperation since reform got under way and the open policy was introduced. At the same time, however, it has also opened the door to a number of products and equipment that are harmful, even destructive, to the nation's environment and ecological balance. Besides the harmful substances that have been smuggled into China illegally, a number of developed nations and regions have been dumping on China their high-pollution enterprises and sunset industries by exploiting the overeagerness of some localities and enterprises to attract wholly or partially foreign-funded enterprises. With no experience and lacking the necessary vigilance, China has imported many an assembly line and much equipment in recent years to make freon and other ozone-layer depleting products. Now it is stuck with a heavy burden. We have learned a painful lesson.

The Chinese government has worked hard to turn this situation around and achieve a balance between economic growth and environmental protection. China has been legislating on the environment since the 1970's. The constitution states explicitly that "the state shall protect and improve the living environment and the ecology, prevent pollution and other public hazards," and that it "shall ensure the intelligent utilization of natural resources and protect rare animals and plants." Moreover, the government has formulated 4 environmental protection laws, 8 environmentally related resource laws, over 20 sets of environmental protection rules and regulations, and more than 310 standards, basically forming a body of environmental protection legislation consisting of laws, rules and regulations, provisions, and standards and putting environmental protection on a legal footing. Meanwhile, China has also actively participated in international environmental protection organizations and is a member of numerous such organizations and a signatory to international conventions and agreements. It also has fulfilled its obligations conscientiously.

For a variety of objective and subjective factors and constraints, however, China still faces a grim environmental situation despite considerable progress. It still has a long way to go before reaching its goal of achieving a balance between economic growth and environmental protection. To give this endeavor a boost, we have started a new column—"The Open Policy and Environmental Protection Column"—in order to inform our readers systematically about the environmental situation at home and abroad, environmental protection rules and

regulations and their impact on China's open policy and international trade, and to explore ways and strategies of balancing foreign economic relations and trade, on the one hand, and environmental protection, on the other.

Sun Zhenyu [1327 2182 5038] [as published], vice minister of foreign economic relations and trade, has written the inaugural article for our new column. (See p. 4 in today's edition for full text.) This is a good beginning. Let's hope our readers would take note and send us their manuscripts enthusiastically.

Agriculture

Sections of Yellow River Stop Flow for 114 Days

OW1807161995 Beijing XINHUA in English
1558 GMT 18 Jul 95

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — The Yellow River, a river next only to Chang Jiang in China, has stopped its flow in certain sections for a record of 114 days so far this year, largely due to fast increased population and massive irrigation of farm fields.

Zhao Chunming, deputy director of the State Flood and Drought Control Headquarters, explained here today that people are consuming more water and expanded farmland and industrial projects require huge amounts of water. He said that these are mainly to be blamed for the drying up of a 622-km stretch of the river.

"The area of farmland irrigated by the river increased from 80 million ha in 1950 to the present 706 million ha and water consumption increased from 14.8 billion cubic meters in 1950 to 48.8 billion cubic meters, while the annual flow of the river averaged 30.74 billion cubic meters during the period of 1986-1994," he noted.

"It makes sense that the river would dry up because of the shortage of water."

Another reason is that there has been a long period of dryness, he said, "The Yellow River experienced a sustained dry period from 1922 to 1931, and starting in 1986, has entered another dry period."

From 1990 to 1994, the river averaged dry spells of 46 days.

He is, however, optimistic about the river's ability to regain its level, because a monsoon season has arrived in North China.

Also, the Xiaolangdi water conservation project which is under construction is designed to have a capacity of five billion cubic meters of water.

"Reservoirs can also be built in the lower reaches of the river to regulate the water supply," he said. "In the long

run, to move water from the Chang Jiang to the Yellow River is also a good idea."

He said that the Liujiaxia and Longyangxia reservoirs in the upper reaches of the river have helped solve the water shortage problem, since the two reservoirs supplied 5.4 billion cubic meters of water to the Yellow River from January 1 to July 17.

He said that one of the lessons China needs to draw from the long-term dry spell is that the country should impose better management of its water resources in the Yellow River Valley and do a better job in distributing the water.

Water should also be used sparingly, he added.

Statistics Show Good Summer Grain Harvest

OW1907021295 Beijing XINHUA in English
0202 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — The total agricultural added value in China in the first half of this year recorded an increase of 5.7 percent over the same period of last year, 1.7 percentage points higher than the comparable figure for 1994.

This year's Summer grain harvest is believed to be the second best throughout history, despite of the fact that some parts of the country have suffered from floods or drought.

Shao Zongming, Deputy Director of the State Statistics Bureau, said at a press conference here today that the total Summer grain harvest has amounted to 106.55 billion kilograms, 2.25 billion kilograms more than that for last year.

He said that starting from the beginning of this year, governments at all levels have paid top attention to agriculture. They made efforts to implement policies supporting agriculture and increased inputs in the sector, and the enthusiasm of the farmers has been raised.

Future Focus of Grain Production Viewed

HK1807031595 Beijing RENMIN RIBAO in Chinese
5 Jun 95 p 11

[Article by Lu Liangshu (4151 5328 1859), vice president of the Chinese Academy of Engineering: "Strategic Readjustment Is Necessary for Grain Production"]

[FBIS Translated Text] The central conference on rural work pointed out emphatically that we must attach importance and give top priority to agricultural development, place agriculture before all other economic tasks, and make sure that the grain output can reach 500 billion kg and that the peasants can begin to live a fairly comfortable life during the Ninth Five-Year Plan. The

key to the fulfillment of these two targets is to increase grain output by 50 billion kg during this period. We believe that our main task is to readjust the structure of crop farming in line with modern food concepts, boost the development of the breeding and processing industries, and engage ourselves in a three-tiered structural project aimed at integrating farming with animal husbandry, thus bringing well-coordinated development to the production of grain, feed, and cash crops.

Over a long period of time in the past, for reasons related to the country's economic development, China failed to differentiate grain for people's consumption from feed grain. Such a farming pattern, which made no distinction between grain and feed, not only restricted the country's efforts to improve the quality of grain, but also aggravated the imbalanced supply and demand of grain. Today, China has basically solved the problem of insufficient food and clothing, and the living standards of its people are being improved on a constant basis. As a result, increases have been registered in the consumption quantities of many foodstuffs, including livestock-related foodstuffs, cooking oil, sugar, fruit, and vegetables; and such diversified foodstuffs have substituted for part of the grain needed. In 1993, the country's total grain rations for people's direct consumption stood at 275 billion kg, while the country's per capita grain consumption dropped from 253 kg in 1986 to 232 kg in 1993, down by an average of 3 kg each year. It is estimated that the country's per capita grain consumption will shrink further to 213 kg by the year 2000. Calculated on the basis of a population numbering 1.3 billion, China will need some 275 billion kg for its population's consumption in the year 2000, a figure that is basically at the same level as the total grain consumption in 1993. This means that from the present to the end of this century, the grain needed for the consumption of the newly added 100 million in population can be made up by the reduced part of the grain rations of the existing 1.2 billion people; yet it also suggests a considerable increase in the demand for livestock-related foodstuffs, which are turned out using feed. From this, we can see that of the total grain output of 500 billion kg at the end of this century, the newly increased 50 billion kg of grain will be used mainly as feed, except for a small part that will be earmarked for the use of industrial and commercial sectors.

To resolve the grain problem in China, we first should replace people's traditional "grain" concepts with modern food concepts; proceed in our work from the need to provide our people with large quantities of livestock-related and non-grain foodstuffs; change the former farming pattern, which made no distinction between grain rations and feed grain, into a new farming pattern

that differentiates between the two; and regard the feed industry as a modern one, and closely link its building with the readjustment of the varieties of grain rations for people's consumption (for example, an increase in the demand for rice), with the optimization of people's diet pattern, and with more rapid development of the breeding industry. All these things are crucial to the implementation of the three-tiered structural project. To this end, we should assign a total sown area of about 550 million mu for the production of feed grain; energetically readjust the structure of crop farming; make better use of grasslands, as well as uncultivated hills and slopes; take steps to meet needs in the development of modern foodstuffs; and strive to achieve the goals of increasing grain output by 50 billion kg and of bringing a well-off life to our people. To do this, we first should readjust and optimize the variety and pattern of existing grain crops, rationalize the overall arrangement of grain production, and strive to develop a highly efficient type of farming that provides greater and better yields; second, readjust the farming system according to local conditions, and apply the farming methods of both crop rotation and multiple cropping to the production of those feed crops that can provide greater and better yields, including corn, green fertilizer, and forage grass; third, make greater and better use of crop stalks, and try our best to raise more herbivorous livestock; fourth, expand the areas sown to high-protein feed crops, such as soybeans, Chinese alfalfa, and amaranth, with a view to opening more sources for protein feed crops and easing the tight supply of fine-quality crops in particular. In this way, we can give shape to a highly efficient and comprehensive agricultural production system featuring better and greater yields; the well-coordinated production of grain, cash crops, and feed crops; a well-integrated structure of farming, animal husbandry, and fishery; and an overall balance among production, supply, and marketing.

The three-tiered structural project is a major, complex project based on modern food concepts. To implement the project successfully, we should tighten macrocontrol over the price structure, gradually readjust the relative price differences between grain and industrial products, enhance the comparative efficiency of grain production, and arouse the initiative of peasants in growing grain crops. We should offer more subsidies and support to grain producers in varied forms, and using legal means, should improve the operation and functions of the state system for stockpiling reserves for grain production, so as to ensure that the system can really play its role in stabilizing the grain market. We will offer strategic support to grain-producing regions in their effort to develop highly efficient types of farming, including the grain processing industry, the breeding industry, and

the food industry; promote the secondary and tertiary industries; bring comprehensive development to the rural economy; and increase the financial income of grain growers.

The implementation of the three-tiered structural project also entails inputs of correlative materials and technologies. Constituting an indispensable basic condition for enhancing the comprehensive agricultural productive capacity and for realizing the goal of increasing grain output by 50 billion kg, the material and technological inputs surely will bring remarkable improvement to the overall efficiency of agriculture on the implementation of the three-tiered structural project. As for the material input, we first should increase the input of chemical fertilizers, and should increase the country's total chemical fertilizer supply from 140 million tonnes in 1993 to 165 million tonnes (standardized chemical fertilizers, with effective elements of 33 million tonnes); second, expand the total area under irrigation, and increase the acreage of irrigated farmland from some 710 million mu now to 750 million mu and more; third, increase the power of farm machinery from 340 million watts to 400 million watts, and raise rural areas' electricity consumption from 85 billion kwh to 100 billion kwh; fourth, raise the multiple crop index from 156 percent in 1993 to 160 percent, and grow feed crops on some 50 million mu farmland in the southern part of the country during the "slack winter season"; fifth, devote great efforts to the transformation of 180 million mu of medium- and low-yielding fields; and sixth, bring 30 million mu of wasteland under cultivation.

As for the technological input, we first should spread to all rural areas techniques of using compound fertilizers and of applying chemical fertilizers to the subsoil, and should readjust the proportional structure of nitrogenous, phosphate, and potash fertilizers from 1:0.3:0.03 now to 1:0.5:0.2; second, vigorously spread water-efficient irrigation techniques, and raise the water utilization rate from 40 percent now to 45 percent; third, renew the combinations of fine and hybrid varieties on 70 percent of areas sown to grain; fourth, spread techniques for the prevention and treatment of plant diseases and insect pests, and strive to reduce losses caused by plant diseases and insect pests by 3 percentage points; fifth, spread the model cultivation technique to 1 billion mu of farmland, and popularize the use of the covered cultivation technique; and sixth, enhance the mechanization level of grain production.

In addition, the three-tiered structural project is a comprehensive one that calls for the participation of many different departments. Under the leadership of the State Council, the implementation of this project should be organized jointly by the Ministry of Agriculture and the

relevant State Council departments. We will incorporate the project into the list of major scientific research projects of the State Science and Technology Commission, the list of major construction projects of the State Planning Commission, the list of key projects invested in and supported by the Ministry of Finance, the list of major trade projects for readjustment by the Ministry of Domestic Trade, and the list of key statistical projects for reform by the State Statistical Bureau, with a view to giving key support and top priority to the development of the project, gradually turning the project into a new industrial system, and successfully accelerating the process of China's agricultural modernization.

***Provincial Grain Responsibility System Surveyed**

95CE0463A Beijing JINGJI CANKAO BAO
in Chinese 15, 16, 18 Jun 95

[Article in three installments by correspondents Wang Jinghe (3769 2529 0735) and Liu Jian (0491 0256): "Survey of the Governor Responsibility System"]

[15 Jun 95 p 1]

[FBIS Translated Text] Editor's Note: In February 1995, the Central Rural Work Conference proposed institution of a "rice bag" provincial-governor responsibility system, which requires each province to work out its own grain equilibrium. What effect will the inauguration of this major policy have on the country's grain output? What is the perception and attitude of each province? What is the present grain production situation? What other problems require thorough exploration and solution?

It was with these questions in mind that two correspondents from this journal spent more than a month visiting three grain-exporting provinces, namely Hunan, Henan, and Jilin; two grain-importing provinces, namely Zhejiang and Guangdong; and one province that neither exports nor imports grain, namely Jiangsu. They interviewed large numbers of experts, cadres, and members of the public at the grass roots. This newspaper publishes their survey report in three installments beginning today. [end editor's note]

Generally, all jurisdictions have a positive attitude toward the "rice bag" provincial-governor responsibility system. They are taking effective action and increasing investment in agriculture. Grain-field acreage has begun increase, showing that the central government's policy has given a shot in the arm to the country's grain production.

The authorities concerned report that the area sown to grain will reach 1.165 billion mu in 1995, a marked upturn from the previous year. This includes an additional

more than 3 million mu sown to summer grain. In most places in the six provinces that the correspondents surveyed, the spring-sown grain acreage is also greater than in 1994. This includes a 600,000-mu early paddy growing area increase in Zhejiang, a more than 500,000-mu increase in Jilin, and a more than 400,000-mu increase in both Hunan and Guangdong provinces.

The correspondents found in the course of their interviews that the decision to institute a "rice bag" provincial-governor responsibility system made grain-importing provinces feel threatened while grain-exporting provinces saw opportunities. There was a marked increase in awareness of the need to pay close attention to grain. The three provinces of Zhejiang, Guangdong, and Jiangsu, which have been in the forefront of the country's economic development in recent years and are renowned as lands of milk and honey, have always had large surpluses of grain for shipment. During the past decade, however, because of readjustments of the internal make-up of their agriculture, takeovers of land for construction, and population increases, both the area sown to grain and gross output have declined. The former situation of shipping southern grain north has changed to shipping northern grain south. Today, Zhejiang imports between 3.5 and 4.5 billion kg, and Guangdong imports 5 billion kg annually. They have become the biggest grain-importing provinces in the country. Jiangsu has slipped from a grain-shipping province to a self-sufficiency province. If the decline continues, it will also become a grain-importing province. These are the calculations they make: Importation of 100 million jin of grain requires 20 40-car trains. The importation of 2.5 billion jin of grain requires 1,000 [figures as published] trains, or three trains each day bringing in grain for reloading to trucks for distribution to grain-short mountain region counties and cities. How can such a heavy burden be carried for long?

Unless the grain problem is solved, it will become a major stumbling block in the way of the high-speed movement of the "economic express." For the long term, the basic grain ration has to be supplied locally. This has become the consensus of the three provinces of Zhejiang, Jiangsu, and Guangdong.

This shock to the mind produced action. The Zhejiang Provincial CPC Committee and provincial government called for "determination to wage a war for the revival of grain," striving to revive gross output of grain in 1995 to more than 15 billion kg, and requiring economically strong counties to be agriculturally strong counties also. Guangdong Province stated clearly that the starting point for solving its grain problems should be tackling grain production to ensure a self-sufficiency rate of

more than 70 percent and arranging for imports and interprovince allocations to effect overall balance. It set a grain-output warning line of no less than 17.5 billion kg for the province, and no less than 50 million mu sown to grain. It also issued a farming plan for the year based on this goal. Realizing the threat, the Jiangsu Provincial CPC Committee and provincial government declared an important target of "reliance on the province itself, seeking balance, and achieving self-sufficiency with some surplus" for grain production in 1995 to bring grain output to the fairly well-off level of 450 kg per capita by the end of the present century. This means that the province's gross output of grain much reach 34 billion kg.

In the large grain-shipping provinces of Jilin and Hunan, people generally feel that the central government's decision to institute a "rice bag" provincial-governor responsibility system presents an uncommon opportunity for large grain-producing provinces to stabilize further the development of grain production. Jilin Province has decided to devote major attention to a number of counties having high-grain-output-increase potential to realize a 5-billion-kg increase in grain output during the 1990s. Hunan Province has decided that beginning in 1995, it will: 1) stabilize the grain growing area at 76 million mu, and 2) maintain gross output of grain at more than 26.5 billion kg, increasing grain output by 3 billion kg by the end of the present century. The province will invest 10 million yuan during 1995. It will select some of the better place in grain-short prefectures to operate 50 commodity grain base townships.

All provinces have adopted a series of "tough measures" for implementing the "rice bag" provincial-governor responsibility system.

First is improved administrative measures, assigning level-by-level responsibility. Level by level, the provincial government in Zhejiang Province broke down norms for the area sown to grain, state fixed grain quotas, and the amount of grain shipped into and out of the province for assignment to separate cities, counties, townships, villages, and individual peasant households. It instituted level-by-level administration and level-by-level responsibility and conducted quarterly inspections and year-end assessments and tabulations. Assessment results will form the main basis for cadre-performance evaluations. In 1994, Guangdong began a level-by-level responsibility system for grain production. It drew up eight standards for the area sown to grain, gross output of grain, state-fixed procurement quotas, balancing the grain supply in each prefecture and city, local grain reserves, grain risk funds, local grain storage construction, and the building of grain markets. These standards are to serve as an important part of cadre-performance

evaluations. They have been further improved in 1995, and counties and cities that did not fulfill their grain-production quotas for 1994 have been put on notice, and disciplinary action taken against them. Awards have been issued to counties and cities fulfilling their quotas.

Second is the formulation or revival of preferential policies to safeguard the interest of peasants who grow grain. Reportedly because of the disparity between the state-fixed procurement price and the market price of grain in recent years, very many provinces have put into effect an added price-subsidy policy that pays a fixed grain procurement subsidy of as much as .40 to .50 yuan, or as little as .20 to .30 yuan per jin. In 1995, coastal Jiangsu, Zhejiang, and Guangdong provinces instituted subsidy policies one after another. Each of them subsidized the fixed procurement price of paddy rice by approximately .70 yuan per shijin. At the same time, most jurisdictions revived their policy of linking grain and fertilizer. Hunan and Guangdong provinces respectively sold 7.5 kg and 5 kg of parity-price fertilizer for every 50 kg of grain purchased at the fixed procurement price.

Third is the protection of cultivated land and encouraging the opening of virgin land. Both Jiangsu and Zhejiang provinces have drawn up land-use regulations, which afford three levels of protection to cultivated land, namely perpetual, long-term, and controlled protection. It has also invested huge sums in the development of coastal flats. Guangdong Province also placed all cultivated land in the province into farmland protection areas. Beginning in 1995, it will begin land reclamation in places having land that can be reclaimed.

Fourth is the use of science and technology to increase yields, thereby increasing the gross output of grain. The Ministry of Agriculture has called for a rise in the nationwide average multiple cropping index from 155 to 158.5 by the end of the present century. This means that each one percentage point increase will be equal to a 16-million-mu increase in the cultivated land area. Jiangsu Province is in the process of conducting dry-land culture and thin planting. It is using 10 techniques for increasing output in a provincewide campaign to "increase grain output by 10 percent." From just 30 million-odd mu of paddy rice, grain output can be increased by 1 billion kg. Reportedly, the dry-land culture, thin-planting technique is being used on 15 million mu of paddy rice, and will be applied to 50 million mu in 1995 to become an important means of increasing yields.

In addition to the above actions, each of the provinces has also increased by varying amounts its investment in farmland water conservancy to improve agricultural production conditions. They have promoted superior

varieties of farm crops and advanced farming methods to increase grain yields. Expectations are that unless a major natural disaster occurs, these several provinces will bring in a rather good harvest in 1995.

[16 Jun 95 p 1]

No doubt, institution of the "rice bag" provincial-governor responsibility system provides great thrust for grain production in China. Cadres and experts concerned at all levels are pretty much in agreement about this, but some comrades are apprehensive and worried.

Some comrades feel that the "rice bag" provincial-governor responsibility system that is now being instituted has some planned economy overtones. Unless effective economic techniques are applied as well, ability to sustain it is uncertain. In Jiangsu, Zhejiang, Guangdong, and Hunan provinces, the correspondents witnessed some instances of the use of administrative methods to hold down the area planted to other crops in order to implement the "rice bag" system. In some places the watchwords were "political task, organize to support, disciplined supervision, and economic rewards and punishments." Still other places sent cadres directly into villages to perform a household-by-household inspection of acreage and seedlings in the fields.

Reportedly, in more economically developed coastal areas, peasant enthusiasm for growing grain is not very high, partly because returns are poor and partly because costs are high. Under these circumstances, implementation of the "rice bag" system is truly not feasible without the use of administrative means. Nevertheless, administrative measures alone cannot easily succeed.

The correct interpretation of finding grain balance with the "rice bag" system should be sales-area increases in the self-sufficiency rate and producing-area increases in the commodity rate, letting the market even out surpluses and shortages. However, some comrades are apprehensive that the biggest hidden danger in each province's seeking a grain balance lies in the possible creation of regional blockading of grain shipments. Memories of the grain shortages of the past two years and of regional blockading are still fresh. A comrade in the Guangdong Provincial Grain Bureau told the correspondents that at the 1993 Beijing Nationwide Grain and Edible Oil Production and Marketing Order Placement Conference, where Guangdong was the largest buyer and Hubei, Hunan, Jiangxi, and Anhui provinces signed grain-shipping contracts for more than 1 billion kg of grain, central government leaders were present, a deputy premier supervised, the governors of each of the provinces served as certifiers, the grain bureau chairman of each province signed the contracts, and the judiciary notarized them, but, in the end, these grain-shipment

contacts were never carried out. They became a dead letter.

Sales areas fear that producing areas may blockade shipments, and producing areas fear that sales areas may "try to lord it over" them. Local grain officials in the Henan, Hunan, and northern Jiangsu grain-producing areas told the correspondents that sales areas usually receive shipments as they go along. They have very slight storage capacity, and some places have built no storage facilities at all. This ties up money and transfers entirely to producing areas costs such as bank interest and storage losses.

With the institution of the "rice bag" system, naturally each province is more intent on its local interests and tries to keep the local situation under control. When grain is in short supply, producing areas withhold grain from the market and wait till they can get their price before selling. When grain is plentiful, sales areas lord it over producing areas by only ordering grain as they need it or consuming grain shipments before paying for them.

Some people in sales areas also worry that the central government decision to institute a governor-responsibility system that requires each province to balance its own grain supply situation may energize output in grain-short areas and de-energize output in grain producing areas. If not controlled well, the increased production in sales areas will not compensate for the decline in production in producing areas. This does not tally with the goal of increasing grain output nationwide by 5 billion kg by 2000.

Such fears are not entirely unreasonable. Some grain-producing counties and cities in Jianxing Prefecture planted less grain and more cash crops when called upon to "achieve their own balance." It was only the intervention of higher authority that prevented them from doing this. In some grain-producing provinces, the area planted to grain crops has declined in order to expand cash-crop-growing acreage.

In the course of their travels, the correspondents observed that institution of the "rice bag" system has indeed stimulated grain-short provinces, but one should not be overly optimistic on this account. During the past decade, the country's grain-growing area has decreased by 60 million mu, mostly in southeast coastal areas such as Jiangsu, Zhejiang, and Guangdong. There are two main reasons for the decrease in the cultivated area. One is the use of land for construction and development, which accounts for about 30 percent of the decline. This reduction is inflexible; the land is gone for good. The second is readjustment of the internal make-up of agriculture, which accounts for about 70 percent.

A substantial percentage of this change, such as fish ponds and orchards is also inflexible. The grain fields used for these purposes are gone for good. Generally speaking, a revival of the grain-growing area in these places is not very realistic. In the Zhu Jiang Delta, it is hard to find continuous grain-field tracts along railroads and highways. For as far as the eye can see, there are factories, fish ponds, economic forests, flowers and plants, and nurseries. In Guangdong, revival of the grain-growing area is occurring mostly in relatively economically backward areas such as the northern and western prefectures.

[18 Jun 95 p 1]

The biggest problem today in instituting the "rice bag" provincial-governor responsibility system is separate production, procurement, shipping, and marketing links, an incompletely developed system, and lack of associated policies. Numerous comrades feel that close attention to output is the basis, close attention to procurement is the key, preserving markets is the goal, and associated policies are very important in making the system really work.

First, the production situation suggests that currently several problems might be made a part of the system as follows:

First is the preservation of cultivated land, resolutely controlling the trend toward decrease in the grain-field area. This requires iron discipline. Whenever a level causes a problem, that level must be held responsible. The quality of cultivated land in developed coastal regions is high. There can be no further cutbacks in the growing of grain in order to grow cash crops. This must be firmly halted. Expansion of fruit production must be done either up in the mountains or down on beach areas. The development of aquaculture must look to otherwise unused bodies of water or mountains. The development of economic diversification cannot be done at the expense of takeovers of limited cultivated land which reduce grain-and cotton-growing areas.

Second is the need to ensure increase in investment in agriculture. There can be no more shouting of empty slogans on this matter. During the past several years, investment in agriculture at all levels has always fallen short of needs and there is still no assured sources of funds to help key commodity grain counties. They do not make a dent. Some provinces suggest that henceforth the central government will have to manage the investment of funds in agriculture as an integrated whole. Each province will have to bundle money for concentrated use, doing several major things each year.

Third is the need to speed up farming on a proper scale in developed coastal areas. These areas have little cultivated land, farming is on a small scale, costs are high, and returns are low. The peasants feel that growing grain is not profitable. They are unwilling to farm intensively. However, a substantial amount of surplus manpower has left these areas, and their economies are strong. Conditions are right for farming at a proper scale. Zhejiang Province has decided to spread farming on a proper scale gradually throughout the province. It will emphasize a double-cropping system. By the end of the present century, two-thirds of the province's fixed procurement quota will be provided by large grain-growing households.

Fourth is the need to safeguard resolutely the interest of the peasants in growing grain. The main problem today is the disparity between the fixed procurement price and the market price of grain. Then there is the jump in prices of means of production. Unless these two problems are solved, it will be very difficult to maintain peasant interest in growing grain for long, and the provincial-governor responsibility system will ultimately come to naught. There are two approaches to solving the fixed procurement price for grain. One is price deregulation, letting the market set the price and providing subsidies to low income urban residents. This would be very popular. The other is to raise the fixed procurement price to bring it closer to the market price.

Fifth is making the grain circulation problem a major component of the provincial governor responsibility system.

Currently, two conspicuous problems exist. One is ironing out the surpluses and shortages among provinces. This requires a fairly well-developed grain-circulation system. Everyone agrees there are two approaches as follows:

One approach is for the central government to operate a game board on which the aggregate grain supply is balanced and meshed. If Zhejiang Province is short 1.5 billion kg of grain, the central government might let Jilin Province provide 500 million kg at the market price. This has two advantages. First, no major structural readjustments of grain-producing-area agriculture are needed and there is no decline in grain output. Second, the pressure on sales areas decreases. If this kind of meshing solves one-third of the need, that is fine. Each province can equalize the remainder itself.

The second approach is to use the preliminarily built tri-level wholesale markets as a basis for instituting an international grain import-export system, i.e., both buyers and sellers sign contracts by which procurement and sale prices, delivery times, and methods of delivery

are based on the futures market, the buyer putting down a 10 percent deposit. The government would have to draw up a special law making such contracts legally valid. Buyers could not just get grain whenever they wanted it, nor could they refuse it if they did not want it. Sellers could not provide grain whenever they wanted, nor could they not supply it if they did not want to supply it. Should either party violate the agreement, it would sustain economic and legal sanctions.

Equalization of surpluses and shortages also includes grain imports and exports, taking part in the great international grain market circulation. Certainly we cannot rely on imports for grain, but the importation of a proper amount of grain to augment supplies is also necessary. Grain-import decision-making authority might be accorded the fairly economically developed southeast coast where grain is in relatively short supply.

The government must also adopt protection policies for the principal kinds of grain in order to safeguard the interest of main grain-producing areas in growing grain. One way of doing this is to levy a grain consumption tax. For example, were Guangdong Province, which imports more than 8 billion kg of grain each year, to levy a 10-percent consumption tax, it would collect more than 1 billion yuan each year. Some people have also suggested levying a high grain-consumption surcharge. Guangdong Province's guesthouses, nightclubs, and karaoke bars do several billion yuan worth of business each year. A 10-percent levy would bring in several billion yuan. This money could be used to help production areas improve agricultural production conditions, to build grain-production bases, and to help production areas develop their economies.

Another fairly conspicuous problem is reform of the commodity circulation sector. Some people reported that some state-owned grain departments buy grain at a low price and sell it at a high price, convert parity-price grain to negotiated-price grain and negotiated-price grain to parity-price grain, and say that they are exercising regulation and control when they are not. The basic reason for these practices is a mixing together of business of a policy nature with business of a commercial nature. The central government has called for thorough grain department reform, and the conduct of "two-line operations," meaning they must run pilot operations in two provinces, and spread them rapidly throughout the country once they have gained experience.

Third, institution of the provincial governor responsibility system requires even more an increase in central government macroeconomic control.

The correspondents met many comrades who felt that with the institution of the provincial governor responsibility system, the central government would have to increase macroeconomic regulation and control, and that the country would have to pay a price for the increase in macroeconomic regulation and control.

First, the government will have to have control over a sufficient amount of grain for use in regulating and controlling markets.

Second, if the fixed grain-procurement price is lower than the market price, the state will have to give subsidies to peasants in producing areas if it is to ensure its ability to obtain an ample supply of grain.

Next, greater control will have to be exercised over the regional direction of the flow of grain. Special agencies responsible for grain allocation and shipment will have to be set up, with each jurisdiction drawing up plans based on population, demand, and kinds of grain and reporting them to the central government. After the central government strikes a balance, specialized agencies will have to enforce it strictly (including railroads and ports).

Finally, the integration of production, procurement, shipping, and marketing might be studied. At the present time, the separate grain production, procurement, shipping, and marketing agencies do not form a community of interests. Each has its separate concerns. Those concerned with production do not concern themselves with markets, and those concerned with procurement do not concern themselves about peasant income. We were told that Canada has a Wheat Bureau, Japan has an Agriculture Association, and some countries have agricultural and food ministries. These organizations are in overall charge of the production, procurement, shipment, and marketing of grain. Profit is not their goal, but rather support for production and the invigoration of commodity circulation. This way of doing things merits attention.

***Guizhou Reports Summer Grain Harvest**

95CE0444V Guiyang GUIZHOU RIBAO in Chinese
12 Jul 95 p 1

[FBIS Summary] Summer grain output in Guizhou Province was 1,975,100 tons, a 5.3 percent increase over 1994, and rapeseed output was 507,000 tons, a 21.3 percent increase.

East Region**Wang Hongmin Named Acting Mayor of Jiangsu's Nanjing***OW1807131895 Beijing XINHUA Domestic Service in Chinese 1334 GMT 17 Jul 95*

[By reporter Xu Jiling 1776 2623 3781]

[FBIS Translated Text] Nanjing, 17 Jul (XINHUA) — The 17th meeting of the Standing Committee of the 11th Nanjing City People's Congress today decided to appoint Wang Hongmin [3769 1347 3046] as acting mayor of the Nanjing City People's Government.

Wang Hongmin, 54, is a native of Yixing, Jiangsu Province. He has successively served as director of the Jiangsu Provincial Metallurgical Industry Department, mayor of Wuxi City, chairman of the Jiangsu Provincial Science and Technology Commission, and deputy secretary of the Nanjing City CPC Committee.

Internet Service Available in Jiangsu's Nanjing*OW1807165495 Nanjing XINHUA RIBAO in Chinese 4 Jul 95 p 6*

[Report by Zheng Hua (2973 5478): "The Internet Is Connected With Nanjing's Packet Switching Network"]

[FBIS Translated Text] According to information recently released by the Nanjing Postal and Telecommunications Bureau Data Company, people in Nanjing City who want to use the Internet may, in accordance with the principle of local dial-up access, become Internet users through the Nanjing City packet switching network, which is composed of 19 packet switchboards in Nanjing City proper and in suburban areas. Users of the national public information packet switching network, the Jiangsu provincial information packet switching network, or the Nanjing City packet switching network need only to register free of charge to become Internet users. Those who are not yet users of these packet switching networks need only to apply for access to any of the networks so they can use the Internet. Users in other parts of the province can access the Internet through the Jiangsu provincial packet switching network. The monthly rate for using the Internet is 600 yuan.

The Internet is both the embryonic form of the global information superhighway and the world's largest international network. It currently has more than 25 million users, and their number is increasing rapidly, by some 160,000 each month. According to experts' estimates, the number of Internet users will have exceeded 100 million by 1998. The Internet's basic functions are: Telnet, electronic mail, and file transfer protocol.

It is reported that the basic conditions that an ordinary user needs to possess in order to access the Internet are a computer, a modem, and a telephone connected with a local telephone network. Since all users of packet switching networks possess the conditions for accessing the Internet, they only need to register if they want to exchange information with 20 million users through over 3 million host computers in 154 countries and regions.

Thus far, more than 20 users in Nanjing have applied for access to the Internet through the Nanjing City packet switching network.

Governor on Railroad Opening, Jiangxi Economy*HK1907041095 Hong Kong TA KUNG PAO in Chinese 14 Apr 95 p 1*

["Special dispatch" by staff reporters Yang Hsiao-yang (2799 1420 3152) and Shih Ping (0670 0365): "Jiangxi Governor Wu Guanzheng Says When Beijing-Kowloon Railway Opens to Traffic Next Year, Jiangxi Will Enjoy Rapid Growth"]

[FBIS Translated Text] Nanchang, 13 May — In an exclusive interview with this reporter a few days ago, Jiangxi Governor Wu Guanzheng said: In recent years, Jiangxi has seen relatively rapid growth in the national economy. Of the 30 provinces throughout the country, it ranked fifth last year in terms of the industrial growth rate, accomplishing the task assigned by the state of quadrupling its gross national product six years ahead of schedule. It will not be difficult to octuple the figure by the end of the century.

Wu Guanzheng noted: Jiangxi is a very promising place. The Beijing-Kowloon Railway will open to traffic next year. This is the best present given by the central government and the people throughout the country to the Hong Kong people. It will also enable Jiangxi to enter into a period of rapid development. Wu added: The Beijing-Kowloon Railway has a length of more than 2,300 km, of which over 700 km, or nearly one-third, is within the boundaries of Jiangxi. Jiangxi is rich in hidden and surface natural resources. The completion of the railway will shorten the distance between Jiangxi and Hong Kong and Macao. It will provide very favorable conditions for Jiangxi to fully use overseas funds to develop its economy in the late 1990s and the 21st century.

Moreover, the state has decided to open up and develop the Chang Jiang with Shanghai's Pudong as the dragon head. Currently, the area to be opened and developed tends to extend from the east to the west. Jiangxi's Jiujiang is the only point of intersection between the

Chang Jiang development belt and the Beijing-Kowloon Railway. Having the largest freshwater lake in the country — Poyang Hu — and a very beautiful mountain in Lu Shan, Jiujiang also has good conditions for transport by water, land, and air. This has provided very good conditions for further investment, construction, and development in Jiangxi.

Wu Guanzheng said: In his New Year's speech to Taiwan, General Secretary Jiang proposed ending hostilities between the two sides of the Taiwan Strait. This is the will of the Chinese people across the Strait. In the past, many people went to Taiwan from Jiangxi. It is believed that a large amount of Taiwanese funds will pour into Jiangxi in the near future. This is also another favorable condition for the development of Jiangxi. A hinterland of Fujian, Jiangxi currently has the Yingxia Railway linking Xiamen and Fuzhou. At present, Jiangxi is building a second railway running from Shangrao to Fujian. As such, Jiangxi will have easy access to Guangdong and Hong Kong in the south and follow Pudong's development and Fujian's opening up in the east. Jiangxi is paying close attention to the geographic distribution of productive forces along the Beijing-Kowloon Railway so as to lay a good foundation by the end of the century for the rapid development of Jiangxi's economy in the next century.

Speaking of the future opening up and development of Jiangxi, Wu Guanzheng pointed out: Jiangxi will continue to uphold the principle of using reform and opening up to promote development in an attempt to quicken the pace of development. Wu is of the view that to accelerate development Jiangxi should pay attention to solving the following four issues:

First, importance should be attached to qualified personnel. The province should make a resolution to do a good job in education, and, particularly, run Nanchang University well. The provincial government plans to invest several hundred million yuan within five years to turn Nanchang University into a key university of the whole country, give full play to its advantages in scientific and technological research, and increase the market share and competitiveness of Jiangxi's products at home and abroad.

Second, the investment environment should be further improved. Jiangxi's shortage of electricity has basically been eased and great changes have also taken place in transport. Compared with other parts of China, the communication conditions in the province are relatively good but still need to be improved. To improve the investment environment, Jiangxi should first pay attention to constructing infrastructural facilities, and second, it should combine development with the environment.

In this respect, Jiangxi proposes the need to preserve the province's scenic beauty. Although Jiangxi's economy is not very well developed, no projects that will cause environmental pollution should be launched. Otherwise, we the present generation will let both our forefathers and posterity down. Wu said the province is paying close attention to rectifying polluting enterprises, some of which are to be "closed down, suspended, merged with other enterprises, or changed to other product lines." Today, the whole province of Jiangxi no longer has barren hills suitable for afforestation. Its forest cover has reached 50 percent, the second highest in the whole country.

Third, the province should open up to the outside world and draw in funds. Wu Guanzheng added: The reasons behind the comparatively fast economic development in Jiangxi are inseparably linked to investments from Hong Kong, Macao, Taiwan, and overseas. Jiangxi has abundant natural resources, relatively cheap labor and land prices, high cultural quality in its labor force, and good social order. Wu Guanzheng said that from now on, investors at home and abroad are continuously welcome to invest in Jiangxi and that the province pledges to abide by the principle of mutual benefit characterized by "You help me develop and I will help you make money," and then keep its promise.

Fourth, Jiangxi adopts the six-character principle of "supporting, following up, and taking over" the development of export-oriented economy in coastal areas. Wu Guanzheng said: Located in the interior of the coastal areas and in the forward position of the hinterland, Jiangxi over the years has also developed accordingly while supporting the coastal areas in vigorously developing export-oriented economy. Currently, some labor-intensive projects have begun to shift from the coastal areas to the hinterland. As such, Jiangxi can just take over from them. Similarly, some Jiangxi people working in coastal areas have now returned to Jiangxi to run their enterprises. Some are engaged in primary processing in Jiangxi and then final processing in coastal areas. This move is beneficial to both Jiangxi and the coastal areas. Jiangxi should seize the current good opportunity to quicken the pace of economic construction.

Central-South Region

Hubei Car Manufacturing City Develops Rapidly

OW1907074995 Beijing XINHUA in English
0656 GMT 19 Jul 95

[FBIS Transcribed Text] Wuhan, July 19 (XINHUA) — Shiyan City, in central China's Hubei Province, has been developing its automobile industry at a high speed.

Sometimes called "China's Detroit," Shiyan has been gradually developing into a multi-functional modernized auto industry city, along with the construction and expansion of the Second Vehicle Factory.

Covering a total area of 23,700 sq km, the city has a total population of more than three million, and has two districts, five counties and one county-level city under its jurisdiction.

The automobile industry is the pillar industry of Shiyan. Last year the city achieved a total of 22 billion yuan in industrial output value, of which 80 percent was provided by the auto industry.

Shiyan has also developed other fields of industry, such as machinery, chemicals, textiles, metallurgy and building materials.

In 1993 Shiyan was ranked 22nd in comprehensive economic potential among all large and medium-sized cities in the country.

Last year, the gross domestic product of Shiyan stood at 13 billion yuan.

The provincial government approved the establishment of an experimental automobile industry zone in the city in 1988. So far, 42 overseas-funded enterprises have settled in the zone, with a contracted foreign investment of 90 million US dollars.

Within the next five to ten years Shiyan will expand its urban area, and the urban population will increase to 1.5 million from 420,000 at present.

Hubei Secretary Relays Spirit of S&T Conference

HK1907040095 Wuhan Hubei People's Radio Network in Mandarin 1000 GMT 11 Jun 95

[FBIS Translated Text] The provincial party committee and government called a meeting on 9 June to relay and implement the spirit of a recent national science and technology conference.

[Provincial Governor] Jiang Zhuping presided over the meeting at which [Provincial Party Committee Secretary] Jia Zhijie relayed the spirit of the conference.

Secretary Jia Zhijie stated: The recent national science and technology conference was an important and significant conference held by the CPC Central Committee and the State Council after the country's reform, opening up, and socialist modernization drive had made noticeable progress. The conference was hailed as the third milestone of the country's scientific and technological cause since the CPC Central Committee issued in 1956 a great call for faster scientific and technological development and mapped out the country's first long-term scientific and technological development plan and since

the CPC Central Committee held the first national science and technology conference in 1978. That the CPC Central Committee and the State Council had decided to accelerate the country's scientific and technological development, hold the recent national science and technology conference, and implement throughout the country a strategy of promoting national development by virtue of advanced science and education has signalled a new strategic move aimed at comprehensively implementing Comrade Deng Xiaoping's thought on science and technology being primary productive forces and at attaining the second-phase and third-phase strategic goals of the country's modernization drive. The decision made by the CPC Central Committee and the State Council as well as speeches delivered by General Secretary Jiang Zemin and Premier Li Peng at the recent national science and technology conference are a guide to the country's scientific and technological work and are of paramount realistic and far-reaching historical significance to the country's socialist modernization drive and scientific, technological, economic, and social development.

Secretary Jia Zhijie summed up the recent national conference spirit in the following points:

1. It is imperative to comprehensively cultivate a mentality of science and technology being primary productive forces and implement a strategy of promoting national development by virtue of advanced science and education throughout the country.
2. It is imperative to further clarify the following major issues concerning the country's scientific and technological development: a) Economic construction relies on advanced science and technology; b) Scientific and technological development serves economic construction; c) It is necessary to relate immediate goals with long-term goals of scientific and technological development; d) It is necessary to conduct overall planning and organically integrate advanced foreign technology introduction with domestic scientific research and technological exploitation; e) It is necessary to make market mechanisms and macroeconomic management indispensable to scientific and technological development; and f) It is necessary to closely integrate natural sciences with social sciences.
3. It is imperative to accelerate transformation of scientific and technological research achievements and improve economic development quality.
4. It is imperative to deepen scientific and technological structural reform and build a new scientific and technological structure adaptable to a socialist market economic structure and to science and laws of technological development.

5. It is imperative to train a large contingent of scientific and technological personnel with moral integrity and professional competence.

6. It is imperative to strengthen leadership over and create more favorable conditions for scientific and technological development.

Secretary Jia Zhiqie also forwarded the following views on how to implement and carry out the national conference spirit to the letter:

1. We should conscientiously organize people to study the national conference spirit, relay and implement the national conference spirit at all levels, step up media propaganda on the national conference spirit, make both Comrade Deng Xiaoping's thought on science and technology being primary productive forces and the strategy of promoting national development by virtue of advanced science and technology known to each and every household and enable both to strike root in people's hearts, mobilize people across the province to learn, love, and apply science, and set off a new upsurge of scientific and technological development.

2. We should combine relaying the national conference spirit with implementing the strategy of promoting national development by virtue of advanced science and technology; conduct a general examination to see how the provincial party committee and provincial people's government decision on promoting Hubei's development by virtue of advanced science and technology has been carried out in the province; further implement the decision and supervise the decision implementation to firmly cultivate the strategic mentality of promoting Hubei's development by virtue of advanced science and technology; and quicken the pace of promoting provincial development by virtue of advanced science and technology.

3. We should hold a provincial science and technology conference on the basis of sufficient investigations, study, and preparations at the appropriate time.

4. We should strengthen and improve party committee and people's government leadership over scientific and technological work. To this end, all departments, trades, and professions concerned in the province should join hands in creating a macroscopic climate for promoting provincial development by virtue of advanced science and technology.

5. All localities and departments concerned in the province should continually study and improve specific ways and means of accelerating provincial development by virtue of advanced science and technology and work in a down-to-earth manner to push forward scientific and technological development.

The meeting was attended by more than 1,500 people, including the provincial party committee, the people's congress, the people's government, the Chinese People's Political Consultative Conference committee, and the military district leaders; principal party and government leaders in charge of various prefectures, cities, autonomous prefectures, cities directly under the provincial authorities, and forest zones; principal comrades in charge of various provincial departments, commissions, and offices; persons in charge of various Wuhan-based scientific research institutions, institutions of higher learning, and large enterprises and undertakings; and representatives of the province's scientific and technological, economic, education, and other circles.

Southwest Region

Tourists Expelled From Tibet City Xigaze

BK1907105995 Hong Kong AFP in English
1047 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (AFP) — Foreign tourists have been expelled en masse from Tibet's second city Xigaze, after riot police moved to pre-empt a threatened protest by Buddhist monks, the London-based Tibet Information Network (TIN) said.

A TIN report, dated Tuesday and citing tourists arriving in Nepal, said more than a hundred monks from Xigaze's Tashilhunpo monastery had threatened a demonstration against the Chinese Government's intervention in the selection of the new Panchen Lama — the second most important religious figure in Tibet.

A mood of dissent had reportedly risen among Tashilhunpo monks last week, when top Tibetan regional government officials travelled to Xigaze for a high level meeting with senior lamas that clashed with a major Buddhist festival.

On the morning of July 12, some 30 tourists who had been granted access to the monastery to watch the festival ceremonies were forcibly evicted by officials.

"The people in front of me were taken by the arm and manhandled out of the door," TIN quoted one tourist as saying.

At the same time, between 70 and 90 police in riot gear were driven up to the monastery in army trucks, eyewitnesses said.

The foreigners were escorted to their hotel and were later prevented by soldiers at roadside checkpoints from entering the centre of the town where streets were cordoned off.

"Tourists were told to go back to the hotel for their own safety," another visitor was quoted as saying.

Early the next day, all foreigners were informed that they had to leave the city immediately.

Tibet's exiled leader, the Dalai Lama, identified a six-year-old boy in May as the reincarnation of the Panchen Lama, but the Chinese authorities refused to recognise the choice which had been made without their consultation.

China on Tuesday denied reports that it had arrested the boy and accused the Dalai Lama of spreading rumours "to create confusion."

The dispute over the Panchen Lama has come amid a general tightening of the security situation in Tibet in preparation for the 30th anniversary of the region's establishment as the Tibet Autonomous Region.

Sichuan Secretary, Governor Address CPC Session

*HK1907032095 Chengdu Sichuan People's Radio
Network in Mandarin 1100 GMT 6 Jul 95*

[FBIS Translated Text] The Fifth Enlarged Plenary Session of the Sixth Sichuan Provincial CPC Committee was held in Chengdu 3-6 July. At the beginning of the session, on behalf of the provincial CPC Committee and government, Provincial Party Secretary Xie Shijie and Governor Xiao Yang delivered reports to sum up work. Over the past few days, motivated by the desire to be responsible for the party and people, attendees of the sessions carried forward democracy to actively express their views. They fully affirmed the work of the provincial CPC Committee and government of the past two years, and also pointed out difficulties currently facing them and the gaps in their work. They maintained: Over the past two years or so, under the correct leadership of the CPC Central Committee, the provincial CPC Committee has firmly adhered to the main principle of seizing fine opportunities, deepening reforms, expanding opening up, promoting development, and maintaining stability. It has grasped its work in a down-to-earth manner in light of Sichuan's practical reality. It has achieved marked results in various work. The economy of the whole province is developing in a sustained way, and nationality solidarity has been promoted. Political stability and social progress have also been achieved.

At today's closing session, Provincial Party Secretary Xie Shijie and Governor Xiao Yang made important speeches. In his speech, Xie Shijie summed up previous work and made arrangements for the work of the second half of this year. He said: During the second half of this year, the whole province should mainly do a good job in the following five respects:

1. It is necessary to vigorously grasp well economic work to fully accomplish the task of economic development this year.
2. It is necessary to conscientiously implement the spirit of the national Conference on Science and Technology to fully pursue the strategy of invigorating Sichuan through science and technology.
3. It is necessary to persistently strengthen the building of spiritual civilization and develop democracy and the legal system to truly ensure social stability.
4. It is necessary to strengthen party building in all aspects to carry out the anticorruption struggle in a thorough and sustained way.
5. It is necessary to assume responsibility for the overall situation, work in a down-to-earth manner, and seize the opportune moment.

Xie Shijie added: We should restore grain production this year and strive for a record high output. Peasants' per capita net income must increase by more than 100 yuan. To attain these targets of struggle, CPC committees and governments at all levels must firmly adhere to the mentality of combating natural calamities to reap good harvests, and strive for a bumper grain harvest this year. Under the present condition that the economic efficiency of state-owned enterprises is not high, Xie Shijie stressed: The crux to solving these problems and difficulties lies in deepening reform, strengthening management, and readjusting the structure.

In his speech, Xie Shijie emphasized: It is necessary to carry out the anticorruption struggle in a thorough, sustained, and more effective way. Cadres at all levels throughout the province must assume responsibility for the overall situation, work in a down-to-earth manner, and explore the way forward to make efforts to fight for the fulfillment of various tasks this year.

At this afternoon's meeting, Provincial Governor Xiao Yang made an important speech summing up economic operations of our province during the first half of this year, and making arrangements for economic work of the second half of this year. He said: To fully attain this year's targets and tasks, it is necessary to prominently grasp work in the following eight main respects:

1. It is necessary to successfully combat natural calamities and provide disaster relief to ensure increases in agricultural production output and incomes.
2. With emphasis on raising foreign exchange income and importing foreign capital, it is necessary to increase the weight of opening up to the outside world.

3. It is necessary to actively deepen reforms in state-owned enterprises to vigorously increase industrial efficiency.
4. It is necessary to do financial, monetary, and tax work well to support economic development.
5. It is necessary to speed up the pace of market development to resolutely curb inflation.
6. It is necessary to persistently and unswervingly pursue the strategy of invigorating Sichuan through science and technology to bring about various flourishing social undertakings.
7. It is necessary to organize forces to formulate well the program for 1995 and the Ninth Five-Year Plan.
8. It is necessary to promote the building of clean and honest administration to safeguard social stability.

More than 320 persons attended the enlarged session. They included members and alternate members of the Sichuan Provincial CPC Committee, chairman and vice chairmen of the provincial People's Congress, vice provincial governors of the provincial government, chairman and vice chairmen of the provincial Chinese People's Political Consultative Conference [CPPCC], some veteran cadres at and above deputy department head level, relevant responsible comrades from Chengdu and Chongqing cities, party secretaries, mayors, prefectural chiefs, commissioners from various prefectures, autonomous prefectures and cities, main responsible persons of the departments directly under provincial authorities, main responsible persons from some universities and colleges and large enterprises [words indistinct], and model and advanced workers.

State Council Price Team Meets Guizhou Leaders

HK1907020295 Guiyang Guizhou People's Radio
Network in Mandarin 2300 GMT 3 Jul 95

[Report by staff reporter Fang Yuan]

[FBIS Translated Text] A State Council price examination team briefed the provincial authorities on its work on the afternoon of 3 July. Chen Shineng, provincial party committee deputy secretary and concurrently governor; Wang Guangxian, provincial party committee standing committee member and concurrently vice governor; and Hu Xiansheng, provincial party committee standing committee member and concurrently vice governor, met with the team.

The State Council price examination team conducted a week-long price examination in Guizhou from 22 June to 2 July. They had been to several cities and counties, including Guiyang and Anshun, to examine the conditions of price control. The price examination team

believed that governments and price administrations at all levels in the province had done voluminous work in implementing various measures for macroeconomic regulation and control and control over general market prices, with effective results. The examination team also indicated existing problems in price control work in the province and expressed the hope that the provincial government would augment implementation of various policies for price control, increase effective supply of farm produce, and strictly control increases in food prices.

Governor Chen Shineng stated that the provincial authorities would resolve price problems as quickly as possible, and would resolutely implement the policy for grain purchasing and marketing [words indistinct].

Hong Kong CPPCC Delegation Visits Guizhou

HK1907020495 Guiyang Guizhou People's Radio
Network in Mandarin 2300 GMT 3 Jul 95

[FBIS Translated Excerpt] A discussion meeting was held for the delegation of National Chinese People's Political Consultative Conference [CPPCC] members from Hong Kong region [as heard] visiting Guizhou on the morning of 3 July. [passage omitted] A discussion meeting was held for the occasion; Guizhou Provincial CPPCC Committee Chairman Long Zhiyi presided. Participating in the meeting were Chen Shineng, provincial party committee deputy secretary and concurrently governor, and Vice Governor Mo Shineng, Provincial CPPCC Vice Chairmen An Diwei, Li Yuandong, and responsible persons of related offices and bureaus directly under the provincial authorities.

The delegation arrived in Guizhou on 23 June. Over the past 12 days, the delegation has observed Guiyang, Anshun, and Qiongzhusi Autonomous Prefecture, visited factories, institutes of tertiary education, village schools, and villages of minority nationalities. [passage omitted]

Guizhou Governor, Japanese Group Discuss Environment

HK1907020095 Guiyang Guizhou People's Radio
Network in Mandarin 2300 GMT 3 Jul 95

[FBIS Translated Text] The 14-member Japanese solidarity and cooperation delegation headed by Hiroshi Hashimo, former Japanese Ambassador to China [words indistinct], arrived in Guizhou for a two-day visit. Governor Chen Shineng met with and feted Hiroshi Hashimo and company in Guiyang on 3 July.

The Japanese solidarity and cooperation delegation arrived in China at the invitation of [words indistinct],

focusing on China's policy on environmental protection and the agenda for the 21st century [words indistinct]. Earlier on the same day, the delegation observed Guiyang Power Plant and learned about the historical situation regarding pollution by the plant. Vice Governor Yao Jiyuan [words indistinct] and responsible persons of related offices and bureaus held a discussion meeting with Hiroshi Hashimo and company. [words indistinct] Yao briefed the guests on Guizhou's advantages in resources, scenic spots, and economic development.

During his meeting with the Japanese delegation, Governor Chen Shineng said there was still lots of work to do in environmental protection work in the province [words indistinct].

Yunnan Secretary Phones From Beijing About Quake

HK1907074695 Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 13 Jul 95

[FBIS Translated Text] Gao Yan, secretary of the Yunnan Provincial CPC Committee, and Linghu An, deputy secretary of the provincial party committee, phoned the general office of the provincial party committee from Beijing, showing great concern about the strong earthquake of 7.3 magnitude which took place in the border areas of the Menglian Dai, Lahu, and Va Nationality Autonomous County.

Over the phone, Gao Yan and Linghu An said they were extremely concerned about the conditions in the earthquake-stricken areas. They asked the provincial party committee general office to convey their sympathy for the cadres and masses of all nationalities in the earthquake-stricken areas, and to speed up their pace in implementing all the emergency measures adopted by the provincial party committee and government following the earthquake. They expressed the hope that the vast number of cadres and masses in the earthquake-stricken areas would do a better job in fighting the calamity and in relief work under the leadership of the provincial party committee, the provincial government, and the local party committees and governments. They urged them to promptly allocate human and material resources to save the wounded, supply means of subsistence to people in earthquake-stricken areas, render assistance to them in restoring production, and do a good job in sanitation and epidemic-prevention with a view to reducing the influence of the calamity. They also demanded that the earthquake prevention and monitoring sector keep closer watch over the earthquake.

North Region

Beijing Imports Mobile Phones From U.S., Europe

OW1907091195 Beijing XINHUA in English 0842 GMT 19 Jul 95

[FBIS Transcribed Text] Beijing, July 19 (XINHUA) — Beijing has added a new mobile telephone capacity of 80,000 terminals within three months, city telecommunications sources said.

An official from the Beijing Telecommunications Bureau said that the GSM (Global System of Mobile Telecommunications) service, which was commissioned April this year, has been expanded rapidly and the area it covers has extended from urban Beijing to rural Beijing, and there are already more than 6,000 registered users of such phone service now.

All the relevant equipment was imported from the Motorola Company and the Nokia company [of Finland].

The number of ground stations, which provide relay service for the GSM phone, has increased from 21 to 41. A total of 48 special channels have been established in Huairou to help meet the needs of the coming UN Fourth World Conference on Women to be held here in September.

A total of 14 Chinese provinces and cities are building the mobile phone service and the service has linked four Chinese cities, namely, Beijing, Tianjin, Shanghai and Guangzhou. The mobile phone service will be available between the four Chinese cities and Singapore, Macao, Finland, France and Germany by the end of this year.

Tianjin Industrial Production Increases

OW1807124695 Beijing XINHUA in English 1059 GMT 18 Jul 95

[FBIS Transcribed Text] Tianjin, July 18 (XINHUA) — This, China's third-largest city saw a whopping industrial growth of 97.6 percent in the first five months of this year.

Profits and taxes also rose by a big margin during the January to April period.

According to the Tianjin Municipal Economic Commission, a number of large manufacturers took the lion's share of the profits and taxes turned in to the state. The top 20 enterprises earned 2.6 billion yuan (about 306 million US dollars) in profits and taxes, accounting for 73 percent of the total achieved by all the 6,800-odd factories in the city.

Net profits rose by 674 million yuan (80 million US dollars), 77 percent of which was earned by foreign-funded ventures; state-owned enterprises made up 55 percent of the increased taxes.

A batch of state-owned enterprises picked up speed through restructuring. From January to May major manufactured goods such as elevators, motorcycles, compressors and textile products all scored 25-percent increases in output. It is predicted that this momentum will continue into the latter half of this year.

Northeast Region

Heilongjiang Secretary Interviewed on Economy

*HK1907053295 Beijing LIAOWANG in Chinese
29 May 95 No 22, pp 12-13*

[Article by Guo Yude (6753 3768 1795): "Open Up the 'Second Battlefield' in Economic Development; Interviewing Yue Qifeng, Secretary of the Heilongjiang Provincial CPC Committee"]

[FBIS Translated Text] Since last year, Heilongjiang Province, which is rich in natural resources and has many medium-sized and large state-owned enterprises, has put forward the requirement that a "second battlefield" in economic development be opened up throughout the province. This new action has attracted the attention of various circles in society. What then are the basic contents and points of departure in developing a "second battlefield" in economic development? What role will it play in changing the situation of resource difficulties and in enlivening medium-sized and large state-owned enterprises? To seek answers to these questions, this reporter invited Yue Qifeng, secretary of the Heilongjiang Provincial CPC Committee, to speak on the strategic idea of developing a "second battlefield" in economic development.

The "Second Battlefield": Fostering New Economic Growth Points Beyond the Traditional Economic System and Economic Structure

Yue Qifeng pointed out that opening up a "second battlefield" in economic development involves putting great efforts into fostering diverse economic components, diverse operational modes, and new economic growth points characterized by processing involving cutting-edge science and technology, which are beyond the traditional economic system and traditional economic structure. Thereby, it will be possible to change the unitary planning model, the unitary ownership structure, and the unitary industrial product structure. Its basic characteristics are:

At the same time as not relaxing in terms of "first battlefield" economic development involving agriculture and state-owned enterprises, it is necessary to actively open up a "second battlefield" of economic development.

With respect to the state-owned economy, which occupies the dominant position, the "second battlefield"

refers to diverse economic components including township and town enterprises, local economies, civilian-operated scientific and technological enterprises, individual private enterprises, and the three types of partly or wholly foreign-funded enterprises.

With respect to the major urban industries, major enterprise products and rural grain production, which constitute the major industries, the "second battlefield" refers to diversified operations in urban and in rural areas, and replacement industries in oil, forestry, and coal fields (military industry).

With respect to traditional primary and secondary industry characterized by resource industries, raw materials, processing industries, and domestically-oriented industries, the "second battlefield" refers to processing industries, precision processing industries, high and new technology industries, and externally-oriented industries.

With respect to medium-sized and large state-owned enterprises, the "second battlefield" refers to developing replacement industries and diverse operations, or in other words, one factory, diverse operations, with fission of the original operations. It also refers to transformation into company operations, joint-fund cooperation with foreign businesses, transformation through grafting, transformation of mechanisms, and fostering as quickly as possible economic entities which are in accord with the socialist market economy.

Clearly, opening up a "second battlefield" in economic development certainly not only involves developing non-state-owned operations, but also includes the reform, transformation, readjustment, and reorganization of state-owned enterprises.

The opening of a "second battlefield" in economic development has been going on for less than a year, but the economic situation in Heilongjiang has seen a new turn for the better. In 1994, Heilongjiang saw the fastest economic development in the last 10 years. Gross output of industry and added value of agriculture both grew 8.9 percent. Township and town enterprises, tertiary industry, and private individual operations all saw quite swift development. Non-state-owned operations contributed 56.3 percent to the growth of gross output value. From January to March this year, the gross industrial output value of the province grew a further 12.5 percent, showing a trend of sustained and stable development.

Consolidating the Predominant Position of the Public Ownership System: Feeding the State-Owned Economy from the Overall National Economy

Yue Qifeng stressed: Opening the "second battlefield" in economic development is a strategic action involving

the fostering of new economic growth points as well as supporting, in an overall way, the invigoration of medium-sized and large state-owned enterprises.

In the past, Heilongjiang was like Liaoning in that it had a heavy industry structure, while both had a large proportion of medium-sized and large enterprises. The major problems of these medium-sized and large enterprises was that they retained little of their profits and bore heavy burdens. For example, state-owned enterprises in Heilongjiang had to hand over 80 percent as taxes. This basically constituted the sole source of the province's finances, and if this were reduced the provincial government would have had trouble getting by. To a large degree, the province had to "drain the pond to get the fish." On the basis of this situation, in Liaoning I placed great stress on reducing new construction and increasing transformation of enterprises, on "providing water to raise fish" in medium-sized and large enterprises, on letting them rest and build up strength, on developing new financial sources, on conserving the old financial sources, and on accelerating their reform, transformation, and readjustment.

If we are to "provide water to raise fish," where is the water to come from? In Liaoning, I proposed that we foster new economic growth points. At that time (1989) the output value of Liaoning's township and town enterprises was 39 billion [no unit mentioned], about the same as the output value of Heilongjiang's township and town enterprises in 1993 (36 billion) [no unit mentioned]. They were quite weak. Liaoning put great effort into developing township and town enterprises and into other new economic growth points, and saw very swift results. Over the last few years, of the newly-added financial revenue of Liaoning Province, close to 70 percent came from new economic growth points. Because of these new financial sources, in 1992 and 1993 Liaoning allowed enterprises to retain 7.2 billion yuan. This provided the medium-sized and large state-owned enterprises with an opportunity to build up strength and carry out readjustment and transformation.

How then should the medium-sized and large state-owned enterprises carry out reform, transformation, and readjustment? It was in Heilongjiang that I formally spoke on this, noting that medium-sized and large enterprises must open up a "second battlefield" in economic development. However, the sprouts of this idea began in Liaoning. Just before leaving Liaoning, when engaging in investigative research I visited a shoe factory which was a joint venture with a Taiwan firm. This factory produced high-heeled women's shoes. In their production, they used shoe tacks, each of which only weighed a few grams. One ton of steel could produce 300,000 to 450,000 tacks. The tacks were

imported from Taiwan at a cost of 0.40 yuan each, while a ton of ordinary steel costs only several thousand yuan. Through the processing, the value of the steel could be increased several tens of times, or even a hundred times. After having this thought, I went to Benxi Iron and Steel Corporation to get some idea of the development of their transformation involving 6.8 billion [no unit as published]. I pointed out that if Benxi could save 1 percent of the 6.8 billion, it would amount to tens of million of yuan, which could be used to produce more than 100,000 tons of steel, or to operate over 10 factories which could provide items like the shoe tacks. Thereby Benxi would become very wealthy. This was actually a requirement that they engage in diversified operations beyond their main business, and carry out precision processing. This is the same as what is now being done in Heilongjiang, where medium-sized and large state-owned enterprises are being urged to open up a "second battlefield" in economic development.

When I came to Heilongjiang I saw that similar situations were quite widespread among medium-sized and large state-owned enterprises. The Fulaerji heavy machine-building factory had over 1 billion in fixed assets, its large-scale equipment included a 12,500-ton hydraulic press, and it had over 30,000 staff members and workers. It is a true "national treasure" enterprise. However, its profits were only 800,000 yuan, less than that of Xianyang Village in the suburbs of this city. Depreciation retrieval was set at only 4.9 percent, but if all of this was retained, it would have resulted in the enterprise incurring losses. The Jiamusi paper plant also did not retain sufficient depreciation. This is reputedly the largest paper plant in Asia. It has been engaged solely in papermaking for several decades and has not engaged in diversified operations or precision processing. In our investigations and forums, we also discovered some successful experiences. For example, the Harbin Aircraft Manufacturing Company was quite early in changing from military to civilian production, and it began producing mini-vehicles and other mechanical products. The result is that civilian production now accounts for over 80 percent of the factory's output value. In this way, it has been able to use its funds to carry out research and develop new aircraft. Thereby new developments have been achieved in aircraft manufacturing, and some products have entered the international market. The above-noted negative and positive experiences show that having state-owned enterprises opening up a "second battlefield" in their own development is both a major element in the reform of these enterprises and a realistic avenue for transforming their operational mechanisms. It is also a realistic choice and a shortcut to a socialist market economy trajectory.

Saving Resource-Type Industries: Developing Replacement Industries Is an Important Avenue

Looking back over work during the last several years, Yue Qifeng held: Opening up a "second battlefield" in economic development proceeds from the special characteristics of Heilongjiang Province. It has also been put forward as a development road by which medium-sized and large state-owned enterprises involved in resource-type industries can free themselves from their difficulties.

After I came to Heilongjiang, the first area investigated was the Xiaoxinganling forestry area. The area had long been one where trees were cut down wherever they were found. The highest output in a single year was in excess of 7 million cubic meters of timber. Following the resource crisis, production has been limited to 4 million cubic meters. This meant that the wages of tens of thousands of workers could not be issued normally, and the seedlings for replacing hundreds of thousands of hectares of old forest could not be purchased. I went to conduct an investigation in Daxinganling forestry area and I found that while the area was like the size of a province (78,000 square kilometers), the population was like that of a county (500,000-plus persons), and its output value was like that of a village (1.6 billion) [no unit]. In Ganjingzi District of Dalian City, for example, there is a village called Xiaoxinzhai which last year had an output value of over 3 billion yuan.

The problems of coal mines are particularly prominent. The four main collieries in Heilongjiang (Jixi, Qitaihe, Shuangyashan, and Hegang), apart from Jixi which produces over 20 million tons annually, only produce 10 million tons, with an output value of only 1.5 billion. This is equivalent to an advanced village in the developed coastal regions. Now in the mining of coal, the extraction of 1 ton requires payment of 1 ton. Last year, the four major mining bureaus paid out 11 billion yuan in costs. Thus, they extract coal from wherever they find it, and one day they will not be able to extract any more.

Prior to the price readjustment, the Daqing oilfields were losing several billion [no unit]. Following the price readjustment last year, things are a little better. Chinese people have always had the tradition of using the prosperous to make up for the deficient. However, if we do not "take precautions" as required by General Secretary Jiang Zemin when inspecting Daqing, make plans ahead of time, and strongly develop diversified operations and replacement industries, in 30 to 50 years the oil will be finished, and without oil the cities will collapse. How then will the millions of people survive?

As past ways cannot be continued, there is a need to change our ideas and change our way of thinking. Thus, I propose that we should engage in economic construction as if fighting a war. If a frontal attack cannot succeed, we must attack from the flank or the rear and fight an indirect war. This is what is meant by opening up a "second battlefield." In particular, resource enterprises must develop diverse operations, precision processing, and replacement operations beyond their main business. This will include non-oil industries, non-coal industries, non-forestry operations, and non-agricultural industries, military enterprises which have switched to civilian production, and diversified operations by medium-sized and large enterprises. The aim is to use the small to foster the large and to use subsidiary operations to support the main operations. In this way, it will be possible to accord with changes in market demand and it will be possible to use profits in some operations to make up for losses in others.

Those Whose Contributions Are Great Must Continue To Make Contributions: Protecting Major Resource Industries Is an Important Precondition

Yue Qifeng also stressed: Opening up a "second battlefield" in economic development is a necessary road in speeding the economic development of Heilongjiang and also an important precondition for continuing to make a greater contribution to the state.

Given that in Heilongjiang the proportion of non-state-owned operations is quite small, opening up a "second battlefield" in economic development and developing the non-state-owned economy is a very important task. We must put great efforts into developing township and town enterprises, regional and neighborhood economies, civilian-run scientific and technical enterprises, individual private operations, and the three types of partly or wholly foreign-funded enterprises. The aim is to spur development of the overall economy through development of these new economic growth points. More importantly thereby we will be able to change the existing industrial and product structure of Heilongjiang Province, which involves resources industries, raw material enterprises, primary processing, and heavy industry so it can pursue a new road of low input, high output, and rapid accumulation. A possible result of doing things in this way is that it will be possible to change Heilongjiang's current situation of economic difficulties, shortages of funds, and financial difficulties.

As a large resource-rich province, Heilongjiang has throughout history always made a major contribution to the state. Today, the province contributes tens of billions of yuan annually just through the price differentials for raw materials obtained under the mandatory plans.

Through several decades of development and construction, the output of energy and raw and semi-finished materials by Heilongjiang now occupies an important position in national output. Its oil and timber output rank first nationally, while its coal and gold production rank third. Its beet, flax, milk products, and grain commodities production all rank at the top nationally. By the end of 1992, medium-sized and large enterprises handed over to the state taxes and profits totaling 142.7 billion yuan. This was 2.9 times the amount of state investment in the same period. The province made a great contribution, but there was little compensation for it. We cannot wait until the state's preferential policies come into full effect. The state's finances are tight and we must have a full understanding of the problems. Thus, if Heilongjiang is to continue to make a great contribution to the state through its resources, it must at the same time as striving for support through state policies and preferential investment, actively open up a "second battlefield" in economic development, and develop diversified operations, precision processing and reprocessing, and replacement industries. Only in this way will it be possible to protect the main industries, and only thus will they be able to make further and new contributions to the country.

Two Dalian Academic Institutions To Cooperate

*OW1907020195 Beijing XINHUA in English
0138 GMT 19 Jul 95*

[FBIS Transcribed Text] Dalian, July 19 (XINHUA) — Two institutions in Dalian, a port city in northeast China's Liaoning Province, have signed a contract on academic cooperation and exchange.

The Dalian Engineering University and the Dalian Institute of Chemical Physics of the Chinese Academy of Sciences (CAS) will make joint efforts in a group of projects in education and research according to the contract.

The university so far has trained more than 55,800 undergraduates and postgraduates, most of whom have become core members on different units.

The university is now comprised of an institute for postgraduates, four colleges, 22 departments and four national key laboratories.

With seven academicians of CAS and 14 research centers, the institute of CAS is the scientific research center engaged in such fields as physics, molecule energy dynamics, chemistry, chromatogram and catalytic reaction.

The principal objectives of the institute are to conduct basic and applied scientific research and to develop new branches of science and technology.

Northwest Region

Qinghai Ex-Nuclear Weapon Base Becomes City

*OW1907093695 Beijing XINHUA in English
0844 GMT 19 Jul 95*

[FBIS Transcribed Text] Xining, July 19 (XINHUA) — About 103 km west of this capital of northwest China's Qinghai Province lies a gigantic gray monument with a ball-like object resembling a bomb glittering on top. It is the site of China's first nuclear weapons research and production center, which was permanently decommissioned in 1987.

Although the area was handed over to the Haibei Tibetan Autonomous Prefecture as its capital city two years ago, the once-mysterious area, which had been a forbidden zone under the code name "Factory 221" for some 30 years, has become a bustling town attracting some 5,000 new households from other parts of the prefecture in only two years.

The old nuclear base is now decorated with hundreds of thousands of trees planted by nuclear scientists and workers. Cattle and sheep are seen feeding in the green pasture around the town. New factories, rows of multi-story apartment buildings and recreational centers are springing up.

A product of China's strategic shift of its nuclear industry from military to civilian production, the base, which used to have 1,170 sq km of forbidden zone, only appeared as grassland on ordinary maps.

By the side of the large foundry, dozens of electrolysis troughs and transformers were replaced with a new electrolytic aluminum plant. Dozens of apartment buildings and public facilities like cinemas, shopping centers and hospitals either remain as before or have been re-decorated.

The "Generals' Mansion", once the residence of a few leading nuclear scientists like Zhang Aiping who later became national defence minister, have been turned into flats for ordinary people in Haibei Prefecture.

In the center of the city a sports center and a sculpture of yaks — symbols of luck among the local people, are being erected. Green grass grows over the 20-sq-m dump for radioactive pollutants. "Outsiders have been attracted to the town, as the area has a well-developed infrastructure and reliable ecological environment thanks to years of environmental construction," said Zholma, Communist Party secretary of the prefecture.

The local party official said that the base had maintained an excellent safety record during its 30 years of operation, without any harm to the environment. "No one at the base ever died of radiation," he recalled.

The radiation count for local residents is only 0.1 percent of the national standard, according to the long-term monitoring results. Over 80 healthy babies have been born in this town 3,200 m above sea level.

The Chinese Government spent a large amount of money from 1989 to 1993 to strictly supervise the environmental conditions of the retired nuclear weapon base, said You Deliang, spokesman for the China Nuclear Industry Corporation.

As the world's first retired research and production base for nuclear weapons, You said, it has worked out a well-conceived plan for environmental protection by scientists.

As a result, Haibei Prefecture moved its capital from Menyuan County to the site of the retired nuclear plant only one month after the area passed a state examination in June, 1993. "Atom Bomb City" has since been serving the economic prosperity of local people.

The retirement of the nuclear weapons production base embodies the longstanding principle of the Chinese Government to thoroughly prohibit and dismantle all nuclear weapons, and the successful handover of the nuclear weapons production base demonstrates China's effective handling of a radioactive environment, the senior engineer noted.

Reportage on Mainland Missile Exercise**Forces on Full Alert***OW1907111395 Taipei CNA in English**1045 GMT 19 Jul 95*

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, July 19 (CNA) — The ROC [Republic of China] Armed Forces have been put on 24-hour alert to monitor Mainland China's guided missile exercises in the East China Sea scheduled for July 21-28, Defense Minister Chiang Chung-ling said Wednesday.

Noting that military authorities have a clear understanding of Beijing's preparations for the missile exercises, Chiang said the Republic of China Armed Forces have capabilities to cope with any possible developments in the region.

Chiang urged local people to remain calm and not to overreact to Mainland China's testing. "Beijing leaders would be pleased if we showed signs of anxiety or apprehension," he noted.

Chiang said the military will keep a close watch on Beijing's missile tests and will keep senior government officials informed of the latest developments. "ROC citizens need not be anxious and should have confidence in the government's ability to handle any possible challenges," he added.

Admitting that the People's Liberation Army's missile exercise is rare and unusual, Chiang said Beijing has carefully designed the training launch to remind Taiwan of its military might and to warn Taiwan not to pursue independence.

"The exercise's political significance is much higher than its military meaning," Chiang observed, adding the training launch might affect sea and air safety in the East China Sea. "The exercise may also serve as a warning to both Japan and the United States not to support Taiwan in seeking a higher profile in the international society."

Meanwhile, the Mainland Affairs Council (MAC), Taiwan's top policymaking body for mainland issues, Tuesday strongly protested Beijing's forthcoming missile exercises and their close proximity to Taiwan.

The MAC said in a written statement that Beijing's move not only threatens peace and security in the Asia-Pacific region but also hurts Taiwan people's feelings toward the mainland.

"Such an action is not in the common interest of people on both sides of the Taiwan Strait," the MAC said, adding all ROC citizens should remain calm and stand united to safeguard national security.

Leaders Urge Calm*BK1907054395 Hong Kong AFP in English**0531 GMT 19 Jul 95*

[FBIS Transcribed Text] Taipei, July 19 (AFP) — Taiwanese leaders on Wednesday called on the public to remain calm as the local bourse tumbled in response to an announcement from China that it would conduct a guided missile exercise off the Taiwanese coast.

President Lee Teng-hui was briefed on the missile exercise "and asks the public to remain calm," Secretary-general Wu Poh-hsiung said.

The Mainland Affairs Council (MAC), Taiwan's top mainland policy planning body, also issued a strong protest at the Chinese plan.

"What mainland China plans will endanger security and peace in the Asian and Pacific region," it said.

Taiwan share prices finished 4.2 percent lower to a 19-month low.

The Taiwan Stock Exchange weighted price index tumbled 229.15 points to settle at 5,187.79 points, the lowest level since December 1993 and following a 12.46-point drop Tuesday.

"The Chinese Army's announcement (of a guided missile exercise) sparked nervous individual investors to dump shares," said Alice Lo at the Grand Pacific Securities Investment Trust.

On Tuesday, the People's Liberation Army (PLA) announced in Beijing that a week-long guided-missile exercise would be carried out in the East China Sea, just off the northern tip of Taiwan.

The announcement, carried by the official XINHUA NEWS AGENCY, warned foreign vessels and aircraft not to enter the guided missile's designated impact area.

The launch test "into the open sea" will be carried out between July 21 and 28, with the area of impact focused on a point of latitude 26 degrees 22 minutes north and longitude 122 degrees 10 minutes east, the announcement said.

"Chinese naval vessels and airplanes will be operating on and over the said sea area," it added.

The announcement did not specify the number of missiles to be launched, or whether they were land-based or sea-based.

According to Japanese news reports, China test-fired a new mobile inter-continental ballistic missile (ICBM) in late May from Shanxi. No announcement was made

at the time as the impact zone was inside the Chinese mainland.

The ICBM, a Dongfeng-31, has an estimated range of 8,000 kilometers (5,000 miles) and was sent up from a mobile launcher.

Spokesman Views Normalizing U.S.-Vietnam Ties

OW1907073795 Taipei LIEN-HO PAO in Chinese
12 Jul 95 p 4

[FBIS Translated Text] Taipei, July 12 — Answering reporters' questions on the possible impact of normalizing U.S.-Vietnam ties on our country yesterday, Foreign Ministry spokesman Leng Jo-shui said he does not expect there will any impact on our country. He also pointed out that according to the ministry's appraisal, economic interests are the main consideration of the U.S. in normalizing its relations with Vietnam. He added that he does not think the situation in the South China Sea influenced normalization of relations between the U.S. and Vietnam.

In analyzing why the U.S. normalized diplomatic ties with Vietnam, Leng Jo-shui pointed out: Vietnam will become an ASEAN member, and the U.S. hopes to strengthen its relations with ASEAN. The U.S. has a growing number of business opportunities in Vietnam. Therefore, economic interests are probably the main reason the U.S. restored diplomatic ties with Vietnam.

Foundation Issues Protest Regarding Incidents

OW1907015895 Taipei CNA in English
0136 GMT 19 Jul 95

[By Flor Wang]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — The Taipei-based Straits Exchange Foundation (SEF) on Tuesday filed a strong protest with its mainland counterpart, the Association for Relations Across the Taiwan Strait (ARATS), over the recent series of harassments of Taiwan fishing boats by Mainland Chinese police boats in the South China Sea.

The SEF demanded that ARATS ask mainland authorities concerned to investigate the incidents and promise that no similar incidents would occur, saying that the forced interceptions by armed mainland vessels of Taiwan fishing boats have seriously endangered Taiwan fishing operations in the area.

Last Wednesday, three Kaohsiung-based Taiwan fishing boats were followed and intercepted in separate incidents by a mainland police boat in a nearby region in the South China Sea. The Taiwan fishing boats were fired by the armed mainland security police vessel on

purpose and were searched by it before they were let go.

Two other Taiwan fishing boats in the Pratas islands region were also harassed by mainland police boats on Sunday and Monday.

In view of the repeated "malicious" acts by mainland police boats, the SEF in its protest with ARATS asked relevant mainland authorities to take strict measures to prevent the recurrence of such incidents and to ensure fishing security on the high seas.

'Equal' Status Linked to Continuing Talks

OW1907014495 Taipei CNA in English
0110 GMT 19 Jul 95

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — Bilateral talks between Taiwan and Mainland China should be resumed only if Beijing recognizes Taiwan as an equal political entity and gives it due respect, Straits Exchange Foundation (SEF) vice chairman Chiao Jen-ho said Tuesday.

Chiao, who was asked to comment on Taiwan's "One China" policy during a meeting with scholars and specialists in Taipei for the National Development seminar, said Beijing's refusal to recognize the ROC's [Republic of China] existence has not only sabotaged cross-Taiwan strait talks, but also has distanced citizens of the two areas.

Beijing's continued denial of the equal status of Taiwan has hurt the feelings of Taiwan people, who are now more hesitant to come to the aid of disaster victims in the mainland, Chiao said. He said that when Mainland China was inundated by floods four years ago, Taiwan citizens donated more than NT [new Taiwan] \$900 million (US\$34.35 million) through the SEF to the flood victims, but that the SEF has so far received only two donations nor the victims of floods in central and southern Mainland China this year.

Asked to clarify what the term "mutual recognition" means within the context of the national unification guidelines, Chiao said mutual recognition between Taipei and Beijing is now not a problem of the guidelines, but of Beijing's mentality.

As the key member of the Taiwan team involved in cross-strait negotiations, Chiao said he found that Beijing's rigid ideology on the question of Taiwan's sovereignty was the greatest obstacle to the two sides' conducting benign negotiations.

Commenting on the latest XINHUA NEWS AGENCY commentary that Beijing's perception of "One China"

refers to the People's Republic of China and that bilateral talks should only resume under that "one China" policy, chiao said the word "respect" does not exist in the communist Chinese dictionary, and that this lack of respect has led Taiwan people to believe that the communist Chinese are their only enemies.

Chiao said that Taiwan had intended to discuss its mainland policy and pragmatic-diplomacy strategy during the second meeting between SEF chairman Koo Chen-fu and his mainland counterpart, Wang Daohan, the chairman of the Association for Relations Across the Taiwan Strait (ARATS). That meeting, originally scheduled for late July, was unilaterally canceled by Beijing after president Li Teng-hui's trip to the United States.

By canceling the meeting, he said, Beijing missed the opportunity to gain a better understanding of those policies.

Second Ku-Wang Talks Unlikely in 1995

*OW1907110895 Taipei LIEN-HO PAO in Chinese
10 Jul 95 p 2*

[FBIS Translated Text] An informed source involved in Communist China's handling of Taiwan affairs has disclosed: Unless Communist China and the United States resume political dialogue, it will be hard to break the cross-strait impasse. Relevant Communist Chinese departments see no opportune moment this year for the two sides of the Taiwan Strait to hold the second Ku-Wang talks.

According to the source, the exchange of special envoys, high-level officials, and ambassadors between Communist China and the United States is a three-step process for clearing up misunderstandings in bilateral relations, as well as an important sign of resuming routine cross-strait consultation. The two sides can only resume dialogue once Communist China sends a new ambassador to the United States, or accepts a new U.S. ambassador to Beijing.

According to analysis, the Association for Relations Across the Taiwan Strait [ARATS] and the State Council's Taiwan Affairs Office indeed have "something that is hard to mention" regarding the second Ku-Wang talks. In its recent letter to the Straits Exchange Foundation [SEF] on postponing the second Ku-Wang talks and Chiao-Tang talks, ARATS only said that the then-prevailing atmosphere was not favorable, and that the talks would be resumed at an opportune moment. It also noted that the doors for negotiations remained open, and that it harbored no ill will. The source pointed out: What was important about the ARATS action was the message to Taiwan that "this is not the time for discussing cross-strait relations," but the departments in charge of

Taiwan could not determine the appropriate time for developing cross-strait relations.

The source pointed out: This is because the upper echelons of Communist China had set priorities for handling "Sino"-U.S. relations and cross-strait relations. In Communist China's view, President Li would not have taken a series of actions aimed at creating "two China's," and the so-called tension in cross-strait relations would not have arisen had U.S. President Clinton not permitted President Li to visit the United States. To avert the "domino effect" by which other countries follow the U.S. lead and permit visits by high-level Taiwan officials, Communist China considers the handling of its relations with the United States to be the pressing matter of the moment.

To manage the currently depressed "Sino"-U.S. relations, Communist China believes that the exchange of special envoys aimed at conducting political dialogue and assuaging strained relations should precede the exchange of visits by high-level officials aimed at clearing up misunderstandings in bilateral relations. The final step would be for the two sides to accept each other's ambassador, the position of which is currently suspended, in order to restore normal bilateral relations.

The source analyzed: July is the best time for the two sides to hold the second Ku-Wang talks. We have missed the opportunity, and the second Ku-Wang talks are not likely to be held this year. The source noted: Peking [Beijing] will host the World Conference on Women and a UN session in August and September, respectively. Communist China is examining what actions Taiwan may take on these occasions. The Asia Pacific Economic Cooperation session, to be hosted by Japan in November, may yet lead to another round of strained relations. The outlook for cross-strait relations remains dismal for the latter half of this year.

Taiwan Reiterates 'One-China Policy' at Meeting

*OW1907021895 Taipei CNA in English
0145 GMT 19 Jul 95*

[By Bear Lee]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — The Foreign Affairs ministry on Tuesday reiterated that the China and ROC [Republic of China] government's "one China" policy refers to is not the People's Republic of China [ROC].

According to Foreign Affairs Ministry Spokesman Rock Leng, Vice Foreign Affairs Minister Chen Hsi-fan spelled out the ROC's stand on its "One China" policy during a meeting with B. Lynn Pascoe, the director of

the Taipei office of the American institute in Taiwan (AIT).

During the meeting, Chen also refuted remarks made recently by Winston Lord, U.S. assistant secretary of state for East Asian and Pacific affairs, that Taiwan has no intention of becoming a "free country" and of developing formal relations with the U.S.

Chen told the chief of the Taipei office of the AIT, which represents U.S. interests in Taiwan in the absence of formal diplomatic ties between the two countries, that the ROC has met all the requirements of international law to be considered a fully sovereign country, including effectively exercising jurisdiction over the Taiwan, Penghu, Kinmen and Matsu area, aggressively taking part in the international community, and maintaining official diplomatic relations with 30 foreign countries.

He also said that re-establishing official relations with the U.S. has always been the top priority of the Foreign Affairs ministry. "Our efforts toward this goal have not ceased for a single day," he said.

Official ROC-U.S. ties were severed in 1979 following Washington's decision to switch recognition to Beijing.

Pascoe, for his part, promised to forward the ROC's "One China" policy stand to the U.S. Department of State, but added that there has been no change in U.S. policy on the matter.

According to Leng, Benjamin Lu, the ROC representative to the United States, also made clear the ROC's stand on the matter to AIT Chairman Natale Bellochi on Sunday in a Washington meeting.

Li Views International Responsibilities

*OW1807113495 Taipei CNA in English
0927 GMT 18 Jul 95*

[By Y.C. Tsai]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — President Li Teng-hui said Tuesday that the Republic of China [ROC] on Taiwan, boasting a powerhouse economy and political democratization, is set to play an increasingly important role and take more responsibilities in the new international framework.

"We cannot confine ourselves to limited spaces, we must enter the international society in an open-minded and pragmatic manner," President Li pointed out.

Li made the remarks while meeting with central area branch heads of the Republic of China Jaycees.

Noting that he is grateful for the contributions Jaycees members have made for the country, the president called

on the nation to work together for the country's future development.

While maintaining official diplomatic ties with only 30 countries in face of Mainland China's pressure, the Republic of China on Taiwan will seize each and every opportunity to develop its external relations, he said.

For example, Taiwan's exchanges of offices with foreign countries in the absence of diplomatic ties represent official functions although they are private in name, he elaborated.

The practice enables the Republic of China to explore substantive ties with foreign countries, thereby paving the way for close and solid trade ties, he noted.

Citing his visits to Southeast Asia, Latin America, southern Africa, the Middle East and the United States last year and this year, Li said the yet-to-be-established new international order in the wake of the Cold War shall usher in new hope for the country.

Reporter Disciplined Over War Games Reports

*OW1807165795 Taipei LIEN-HO PAO in Chinese
7 Jul 95 p 2*

[FBIS Translated Text] The CENTRAL NEWS AGENCY [CNA] has denied its own reports on the Tunghai [Donghai] No. 5 military exercise. Yesterday, it decided to accord the reporter who had written the stories a major demerit and to transfer him to the overseas department, on the grounds that "he had mishandled reporting of the Tunghai No. 5 military exercise." Because the incident was influenced by high-level government actions, and the reports themselves were not grossly erroneous, the press is concerned whether the incident will have a harmful effect on press freedom.

It is learned that the CNA reporter ran a news story at around 1250 [0450 GMT] on 2 July regarding Communist China's conduct of the Tunghai No. 5 military exercise. In the afternoon, the same reporter released several related reports as companion pieces. On the same day, a certain evening newspaper carried a report on the military exercise on its front page. The three television stations also gave extensive coverage to the military exercise in their evening news programs.

On the following day, all newspapers reported extensively on the Tunghai No. 5 military exercise. The stock market plummeted by 132 points at the close of trading at midday, and it was believed to be related to media reports on the Communist Chinese military exercise. In the afternoon, officials in charge of CNA received instructions from the Presidential Office, and were advised

that high-level government officials had "some different views" on the reports. The reporter who wrote the stories was asked to provide the source of the reports. In the afternoon and late evening, CNA transmitted three consecutive disclaimers on the Tunghai No. 5 military exercise even before the Defense Ministry expressed different views on the exercise. The disclaimers said that the reports transmitted by CNA on the previous day were erroneous, and offered an apology to subscribers. The second disclaimer quoted a Defense Ministry official as saying that Communist China was conducting a "routine military exercise" although it was not staging any war games codenamed "Tunghai No. 5." These words were deleted from the third disclaimer. Officials in charge of CNA explained that the reports in question "smacked of conjecture."

On the same day, the three television stations also received instructions that they dilute effects that the reports on the Communist Chinese military exercise had had on the public.

It was very unusual for CNA to have run three disclaimers regarding its own reports. Over the past few days, the public has shown concern over whether Communist China is really conducting the exercise, and the matter became their topic of discussion. The Presidential Office held a high-level meeting on 4 July to discuss ways to reassure the public. On 5 July, Defense Minister Chiang Chung-ling finally openly advised the media that Communist China's seaborne war games in the vicinity of the Choushan Islands in Chekiang [Zhejiang] were not named Tunghai No. 5; however, he said it was inappropriate to disclose their true codename. Chiang went to great lengths to clarify the matter, frequently asking reporters: "Did you get it?"

Because the matter had obviously attracted the attention of a certain quarter, CNA successively ran disclaimers denying its own reports; it also investigated and disciplined the reporter who had written the stories, as well as the officials in charge. Some of the actions were not indisputable. Media people have expressed concern over this, and members of the Legislative Yuan will initiate interpellation proceedings.

Taipower Shuts Down Nuclear Plant for Two Weeks

OW1807115295 Taipei CNA in English
1012 GMT 18 Jul 95

[By Lilian Wu]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — Taiwan Power Co. [Taipower] shut down one of the reactors at its second nuclear power plant after a tiny

hole was detected in reactor fuel rods early last week, Taipower officials said Tuesday.

A pin-sized hole in the fuel rods detected July 17 pushed up the radioactivity level in the reactor, officials said, but they said that the situation was brought under control immediately.

The officials said that they decided to shut down the reactor for a complete inspection and maintenance, and the process is expected to last for two weeks.

The reactor has a generating capacity of 985 megawatts and the shutdown is expected to restrict power supplies here. However, the recent opening of a 500 megawatts coal-fired power station in Taichung will help alleviate the power crunch, but only partially.

Taipower officials said that if hot weather continues and a similar incident causes a shutdown of the reactor, Taipower will have to consider power rationing plan.

Argentina Expected To Release Fishing Boat

OW1807115595 Taipei CNA in English
1008 GMT 18 Jul 95

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — Argentina is expected to release a Taiwan fishing boat which has been detained for more than 50 days before the end of July, Council of Agriculture (COA) officials said Tuesday.

The Kaohsiung-based vessel, dubbed Chuan Fu No. 11, was intercepted by an Argentine naval ship in the open sea 203 nautical miles off the Argentine coast on May 25 and has since been detained.

As the Chuan Fu No. 11 was operating in the open sea, the Argentine naval ship had no right to detain the Taiwan boat. The Argentine Navy was embarrassed by the mistake, but it has been reluctant to admit it.

After negotiations with the ROC representative office in Buenos Aires, Argentine naval authorities have finally admitted their mistake, saying they did not have the right to intercept the Taiwan fishing boat.

The COA officials said now that Argentina authorities have admitted their mistake, the Chuan Fu vessel should be released in the near future.

Guatemalan President Reaffirms Friendship

OW1807120695 Taipei CNA in English
0924 GMT 18 July 95

[By Huang Kwang-chun and Sofia Wu]

[FBIS Transcribed Text] Guatemala City, July 17 (CNA) — Guatemalan President Ramiro de Leon Monay reaffirmed his firm friendship and support for the Republic of China [ROC] while meeting with ROC Foreign Affairs Minister Chien Fu.

De Leon told Chien he has fond memories of his visit to Taiwan last year, adding he was particularly impressed by the ROC's economic prosperity and liberal lifestyle.

"I hope friendly cooperative ties between our two countries will be further strengthened," the Guatemalan president said.

De Leon later gave a dinner in honor of Chien, who came to Guatemala to attend a foreign ministers meeting of the mixed commission of cooperation between the ROC and Central American countries scheduled for July 19-20.

In addition to attending the mixed commission meeting, Chien will also meet with senior Guatemalan officials to discuss ways to further promote cooperation between the two countries.

Guatemalan Foreign Affairs Minister Alejandro Maldonado said Chien's visit will help boost the already cordial ROC-Guatemala relations.

The mixed commission meeting provides a forum for Chien to meet with foreign ministers from seven Central American countries, including Belize, Guatemala, Honduras, El Salvador, Nicaragua, Panama and Costa Rica, to discuss measures to boost bilateral and multi-lateral cooperative projects.

Another major topic will be central American support for the ROC's bid to join the United Nations. The seven countries and several other ROC diplomatic allies sent a joint letter to UN Secretary-General Butrus Ghali last year urging the UN to set up a special task force to study ways for the ROC to be represented in the world body.

Relations With Philippines Enter New Era

OW1807113695 Taipei CNA in English
0933 GMT 18 Jul 95

[By Danielle Yang]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — Relations between Taiwan and the Philippines are entering a new "honeymoon" period, according to Philippine Industry and Commerce Minister Rizalino

Navarro and Jeffrey Ku, chairman of the Chinese National Association of Industry and Commerce.

Ku said that a recent announcement by President Fidel Ramos welcoming ROC President Li Teng-hui to visit the Philippines is proof of the friendly ties.

In addition, Taiwan's development of the Philippines' Subic Bay has been praised by other nations, Ku said, adding that both sides will continue to cooperate on investment issues.

Navarro added that bilateral trade topped US\$1.683 billion last year, up 20.6 percent from 1993. Taiwan manufacturers invested US\$290 million in the Philippines in 1994, up 53-fold from 1993. Both trade and investment jumped rapidly during the one-year period, he added.

Navarro said the Philippines can be used as a springboard for Taiwan investors to make inroads into Southeast Asian and other markets.

Taiwan, Hong Kong, southern Mainland China and the Philippines have formed a tight and close trade network, Navarro noted, adding that Taiwan manufacturers can expand their vast market with investments in the Philippines.

Navarro said his government attaches great importance to the Philippine investment climate and said he hopes to learn more about the difficulties Taiwan investors encounter in his country.

The Philippine Government will try to resolve the problems, Navarro said, adding that new investment projects and cooperative plans are expected to come in the wake of Subic Bay development.

Minister Views Taipei-Manila Economic Ties

OW1807120795 Taipei CNA in English
1003 GMT 18 Jul 95

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — Two-way trade between the Republic of China [ROC] and the Philippines will reach US\$2 billion this year while Taiwan investment in the Southeast Asian nation is expected to reach US\$1 billion, Economic Affairs Minister P. K. Chiang said Tuesday.

Addressing the opening session of 10th joint meeting of the Taiwan-Philippines and Philippines-Taiwan Economic Councils, Chiang said commercial exchanges between the two countries have increased significantly in the past year because of Taiwan's "go south" strategy.

Taiwan-Philippines trade amounted to US\$1.68 billion in 1994, up 20.6 percent from the year-earlier level,

Chiang said, adding the trade volume is expected to top US\$2 billion this year.

Noting that Taiwan is now the Philippines' eighth largest export market and its fourth largest import source, Chiang said there is still ample room for Taiwan-Philippines trade to grow in the years ahead.

Moreover, Taiwan has emerged as the Philippines' third largest capital supplier after the United States and Japan, with accumulated investment standing at US\$737 million at the end of 1994.

In 1994 alone, Taiwan entrepreneurs poured US\$292 million into the Philippines for various investment projects, up 530 percent from that registered in 1993.

Chiang attributed the sharp increase partly to improvement in power shortage problems in the Philippines and partly to the ROC Government's "go south" strategy which encourages Taiwan businessmen to invest more in Southeast Asian nations, including the Philippines.

Chiang said accumulated Taiwan investment in the Philippines will increase further to US\$1 billion by the end of this year. "I hope our investment in the Philippines will hit US\$5 billion within the next few years," he added.

The Philippines has many advantages to attract foreign investors, including cheap labor, convenient telecommunications services, international aid programs as well as preferential tariff rates and quotas offered by the United States, Japan and the European Union.

Chiang said the Philippines is an especially good investment destination for Taiwan entrepreneurs because it has millions of ethnic Chinese and is very close to Taiwan. It takes only one hour and 40 minutes to fly from Taipei to Manila.

Speaking at the same occasion, Philippine Industry and Commerce Minister Rizalino Navarro said his country can be a good springboard for Taiwan investors to tap markets in other ASEAN countries.

Tariff rates for exports from the Philippines to other ASEAN countries are only 2 percent, Navarro said. The Philippines is a member of the Association of Southeast Asian Nations (ASEAN).

Moreover, he said, a close trade network has gradually been developed among Taiwan, the Philippines, Hong Kong and southern China.

Navarro further said the Philippine Government attaches great importance to Taiwan entrepreneurs' views on its investment climate. "I have come here to understand major problems you have encountered in my country," he told the participants at the meeting.

Encouraged by the success of the Taiwan-Philippines cooperation in developing the Subic Bay Industrial Park, Navarro said the two countries will cooperate in building new industrial zones in northern Luzon.

Navarro, heading a 4-member delegation of Philippine Government officials and business executives, arrived in Taipei Sunday to attend the forth ministerial-level Taipei-Manila Economic Cooperation Conference on Monday.

The two sides discussed ways to promote trade, investment, tourist exchanges, and agricultural and technological cooperation. Chiang and Navarro are scheduled to [words indistinct] temporary — [words indistinct] of goods and double-taxation-avoidance agreements on behalf of their governments on Wednesday.

Over 40 Firms To Sign Subic Bay Leases

OW1907015995 Taipei CNA in English
0131 GMT 19 Jul 95

[By Timothy Ting and Flor Wang]

[FBIS Transcribed Text] Manila, July 18 (CNA) — More than 40 Taiwan companies will sign lease agreements with a Taiwan-invested industrial park in Subic Bay on Wednesday, sources here said on Tuesday.

The signing of the contracts, which will take place in Taipei with the park's management authorities, will empower the 46 companies, including Taiwan's leading computer firm, Acer, to set up plants in the park.

The sources said the Taiwan companies will be housed in an 82-hectare area completed in the first-phase construction of the industrial park, which targets Taiwan investors. The new plants are expected to bring in US\$180 million in investment and create 19,000 job opportunities for local residents, and annual output from the plants is expected to hit US\$1.35 billion, they noted.

The second-phase construction of the industrial park will start soon to accommodate more than a dozen other Taiwan companies that also want to set up plants in the park, the sources elaborated.

Airline To Begin Service to Palau, Subic Bay

OW1907021195 Taipei CNA in English
0138 GMT 19 Jul 95

[By Flor Wang]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — The Far East Air Transport corp. will begin offering charter flight services to the island nation of Palau and to Subic Bay, the Philippines, starting on July 24 and 28, respectively.

Far East Air will use MD-82 planes to operate the Kaohsiung-Palau route, while Boeing 737s will fly between Kaohsiung and Subic Bay. The two routes will have two flights per week in the initial stage, according to Far East Air.

The opening of Far East's flight services to Palau is expected to attract a number of Taiwan tourists to the island, which is famed as a recreational resort, local business sources said.

Bank To Consider Lowering Money Supply Target

OW1807113395 Taipei CNA in English
0903 GMT 18 Jul 95

[By Y.C. Tsai]

[FBIS Transcribed Text] Taipei, July 18 (CNA) — The Central Bank of China (CBC) will consider lowering its money supply growth target to better reflect current domestic financial conditions, CBC Governor Sheu Yuan-dong said Tuesday.

Sheu made the remarks while officiating at a financial symposium that brought together a dozen experts, academics and banking representatives to discuss current economic trends at home and abroad.

Participants included Tamkang University Professor Chuang Meng-han, National Cheng Chi University Pro-

fessor Chang Chin-oh, and Huang Min-chu, president of the Over-the-Counter Dealers Association.

The central bank will present the meeting's conclusions at the bank's board meeting next Monday, Sheu noted.

Observers here pointed out that after the board meeting, it is very likely the central bank will announce the lowering of M2 money supply growth target from the current 10-15 percent range to 8-13 percent.

The broadly-defined M2 money supply, comprising cash in circulation, checking and demand accounts, savings and time deposits as well as quasi-money (including treasury bills), has grown at an annual rate of under 15 percent for the past nine months.

A lower money-supply growth target at the moment will have little impact on the supply side of the financial market, which still boasts abundant funds, the observers stressed.

Higher economic growth usually calls for an increased demand for money, which in turn pushes up the M2 growth rate, they explained.

Given that Taiwan's economic growth is estimated at around 7 percent this year, a downward adjustment in money-supply growth is reasonable, they said.

Hong Kong**Reportage Covers 14th PWC Meeting in Beijing****Views Emergency Ordinance**

*OW1807164295 Beijing XINHUA in English
1628 GMT 18 Jul 95*

[FBIS Transcribed Text] Beijing, July 18 (XINHUA) — Chinese legal experts said here that they firmly oppose the British Hong Kong authorities' abolishing all the auxiliary provisions of the Emergency Regulations Ordinance on June 20.

The panel, which is the Preliminary Working Committee (PWC) of the Preparatory Committee of the Hong Kong Special Administrative Region, held its 14th meeting in Beijing from July 17 to 18.

At a press conference, Shao Tianren, head of the panel, said that they were concerned about the British Hong Kong government's abolishing all the auxiliary provisions of the Emergency Regulations Ordinance on June 20, and therefore held the discussion.

Members on the panel say that the British Hong Kong government has, during the transition period, repeatedly made one-sided major revisions of Hong Kong's existing laws without negotiating with the Chinese side. They said that such actions run contrary to the principle of maintaining the existing laws and regulations in an unchanged fashion as stipulated in the Sino-British Joint Declaration, and thereby sabotage the unity and continuity of the laws of Hong Kong, an action which is not conducive to the peaceful transition of Hong Kong to China.

They said they will firmly oppose any such moves.

More on Ordinance

*HK1907063395 Hong Kong HONGKONG
STANDARD in English 19 Jul 95 p 2*

[By M.Y. Sung in Beijing]

[FBIS Transcribed Text] The government's repeal of an ordinance for emergency control has been criticized by China's think-tank on Hong Kong's transition. The Preliminary Working Committee's (PWC) legal subgroup ended a two-day session in Beijing yesterday with a serious attack on the Hong Kong government for its "unilateral action to change Hong Kong's law" concerning the Emergency Regulations Ordinance.

The legal sub-group's convener of the Chinese team, Shao Tianren, said the repeal of the legislation of subsidies in the Emergency Regulations Ordinance contravened the Sino-British Joint Declaration, which states the laws currently in force in the territory would

remain basically unchanged. "The British-Hong Kong administration, without prior negotiation with China in the transitional period, repeatedly made drastic changes to Hong Kong's current law. It has contravened the principle of no basic change to laws and thus destroyed the intactness and continuity of Hong Kong laws," Mr Shao said. "We resolutely oppose (the action) as it will harm a smooth transition of Hong Kong." Mr Shao said the legal subgroup would study the issue further and would recommend necessary measures to cope with the present situation.

The Legislative Council voted to remove the subsidiary legislation last month, although the Emergency Regulations Ordinance remains intact. The law was to give the government the power to impose martial law and new rules of control in times of crisis. The ordinance was first introduced to Hong Kong in 1949, and its power expanded by adding the subsidiary legislation during the 1967 riots in the territory, which was greatly affected by the chaos of the Cultural Revolution on the mainland. The Hong Kong government held that the laws had become anachronistic and outdated as some of the regulations could not be applied today.

The repeal of the subsidiary legislation was to make the Emergency Regulations Ordinance compatible with the Bill of Rights Ordinance, over which China has also accused Britain of jeopardizing Hong Kong's stability in the transitional period.

Mr Shao refused to say whether the abolition of the subsidiary legislation of the ordinance would weaken the power of the future Special Administrative Region (SAR) government and chief executive to exercise control over the territory. He said the legislation was regarded as "useful", although it was not to be used everyday. "Every country needs such laws in case of emergency. They are not used frequently but they should be there," he said.

Views 'Package of Ideas'

*HK1907073095 Hong Kong EASTERN EXPRESS
in English 19 Jul 95 p 2*

[By Rain Ren in Beijing]

[FBIS Transcribed Text] China is seeking clarification over Britain's "package of ideas" on the construction of Container Terminal 9 (CT9), put forward earlier by the Hong Kong Government. The package, believed to be different from the Government's original plan for the terminal, was delivered to the Chinese team of the Joint Liaison Group (JLG) earlier this month.

Zhao Jihua, the Chinese head of the Sino-British Joint Liaison Group, said yesterday in Beijing that the new

British proposals were "premature", and that no discussions had begun. He refused to go into details about the new proposals. Zhao said that as some of the proposals were not compatible with each other, China needed further explanations on details of the plans.

The CT9 project was effectively shelved after China refused to honour the contracts, saying that they were awarded to Jardines for its support for the political reform package of the Governor, Chris Patten.

"We have to study these new ideas first before deciding whether we can start discussing them. We hope this issue can be resolved soon," Zhao said. "The question of Hong Kong's port development is a complicated one. It is something of macro-strategy. It also involves environmental implications that need to be studied carefully." According to Zhao, Beijing had received some information about two other terminal projects — CT10 and CT11 — which were also "premature".

On the issue of the proposed mandatory provident fund, Zhao warned that China would not discuss the fund with Britain if the proposal was passed by the Legislative Council [Legco]. "What is the point of discussing it if Legco has already approved it?" he said.

In another development, the Preliminary Working Committee's legal sub-group voiced its "grave concern" over the Government's recent decision to abolish all subsidiary legislation to the Public Order Ordinance. "We strongly object to the British Hong Kong Government's unilateral move to make dramatic changes to the existing Hong Kong laws," Shao Tienren, the group's mainland leader, said.

Lu Ping Resumes Work From Hospital Bed

HK1907060695 Hong Kong SOUTH CHINA
MORNING POST in English 19 Jul 95 p 5

[By Chris Yeung]

[FBIS Transcribed Text] The senior Chinese official in charge of Hong Kong affairs, Lu Ping, has resumed work from his hospital bed, according to senior aides.

A senior official of the Hong Kong and Macao Affairs Office said his boss, whose ulcer forced him to have two-thirds of his stomach removed, was gradually recovering. "He has recently asked for documents to read and he has given instruction on major issues," said the official.

Mr Lu, director of the Hong Kong and Macao Affairs Office, was admitted to hospital shortly after he returned from a trip to Hong Kong and Macao in early June. Since then, he has stayed in a hospital for ministerial-ranking officials.

Mr Lu, 68, attended the opening and closing sessions of a three-day plenum of the Preliminary Working Committee last month. The Director also held a 90-minute meeting with the Chief Secretary, Anson Chan Fang On-sang, on July 2. His senior aide said Mr Lu's doctor had advised him to take more rest in hospital. "He (Mr Lu) has met some important visitors. But he won't be able to meet ordinary guests," he said. Another official hinted that Mr Lu might not be able to resume normal work in the short-run. "After all, he is old and needs a longer period of time to recover," he said.

Editorial Views PRC Exercises Near Taiwan

HK1907060895 Hong Kong SOUTH CHINA
MORNING POST in English 19 Jul 95 p 16

[Editorial: "A Dangerous Game"]

[FBIS Transcribed Text] China's announcement of a missile exercise in the waters north of Taiwan this month introduces a dangerous new element to its disputes with Washington and Taipei.

While the other governments involved now appear anxious to be conciliatory, China has chosen to put the spotlight on the military potential of the row. Internally, the move will please the People's Liberation Army, which President Jiang Zemin has been courting in seeking to consolidate his position for the post-Deng era.

Beijing's choice of a location so close to Taipei for the exercise can only be a calculated attempt to put pressure on the island state. With these war games, China is sending a second — military — message to go alongside the patient and pragmatic diplomacy of Vice-Premier Qian Qichen.

As a result, and going beyond Beijing's immediate disputes with Taiwan and the United States, the move is likely to bring to the fore the secretly-held fears of many Asian nations that the struggle to succeed Deng will lead to military adventurism. Vietnam, and those nations which still have border disputes with China, will feel particularly vulnerable. Countries laying claim to the Spratly Islands may feel a need to reassess their defensive capabilities.

From an international standpoint, yesterday's announcement was poorly timed, as it came just as Taiwanese President Lee Teng-hui offered Beijing an olive branch, describing the hostility that erupted over his recent trip to the US as "a tragedy".

Washington has also been doing its best to calm the situation. Secretary of State Warren Christopher has promised that visas will "rarely" again be granted to

Taiwanese leaders. More conciliatory gestures could have been expected at his meeting on August 1 with Mr Qian.

Yesterday's announcement will overshadow not only this meeting but also many of Beijing's other contacts with the outside world. If China wants to play war games in international waters, it must prepare to pay a price for adventurism.

Murdoch's Corporation Takes Over STAR TV

*HK1907055495 Hong Kong SOUTH CHINA
MORNING POST in English 19 Jul 95 p 3*

[By Sean Kennedy]

[FBIS Transcribed Text] Rupert Murdoch's News Corporation has snapped up the 36.4 per cent of STAR TV it did not already own, paying Hutchison Whampoa and Genza Investments about US\$299 million (HK\$2.3 billion). Genza — wholly owned by Richard Li Tzar-kai, the son of tycoon Li Ka-shing — and Hutchison said the deal was scheduled for completion on July 26. STAR TV said News Corp was also taking over shareholder loans made by Genza and Hutchison to STAR TV, adding another US\$46 million to the price.

News Corp first bought into STAR TV in July 1993 paying US\$525 million for 63.6 per cent, half in cash and half in shares. "This transaction is a continuation of the July 1993 transaction," said STAR TV spokesman Douglas Gautier. "It enables STAR to exploit all the natural synergies that are part of the News Corp group," he added. These include access to the corporation's Fox network in the United States and BSkyB, its satellite broadcaster in Britain.

Arnie Tucker, a spokesman for Richard Li's Pacific Century Group, said the group was happy with the sale price. He said Pacific Century felt its stake in STAR TV was under utilised. It offered no liquidity and had paid no dividend since it was set up.

Hutchvision Hong Kong, which is licensed to operate the uplink services for STAR TV, is still 52 per cent owned by Hutchison and the Li family. STAR TV held the other 48 per cent, and a government spokesman said the responsibility for complying with the terms of the licence would remain with the Li family and Hutchison.

Analysts said the sellers had done well out of the deal. One estimated that Hutchison could make between HK\$350 million and HK\$450 million in one-off profits. Hutchison had also done well out of the 1993 sale, receiving five times what it was believed to have invested in STAR TV, he added.

Analysts said they were not surprised to see News Corp pay what seemed like top dollar for a regional satellite broadcaster. "The prices at which media and telecom deals are transacted often seem to defy conventional wisdom," said one.

STAR TV reaches an estimated 220 million people in 53 countries across Asia, India and the Middle East.

Air Cargo Count Rises in Jun

*OW1807154495 Beijing XINHUA in English
1510 GMT 18 Jul 95*

[FBIS Transcribed Text] Hong Kong, July 18 (XINHUA) — Hong Kong handled a total of 112,601 tons of air cargo in June, a 13.3 percent increase over the same period last year, according to statistics released here today by Hong Kong Air Cargo Terminals Limited (HACTL).

Of the total, export cargo increased by 15.6 percent to 49,846 tons while import cargo went up 10.8 percent to 49,420 tons and transshipment goods rose 14.1 percent to 13,335 tons.

To date, a total of 645,083 tons of air cargo have been handled in Hong Kong since the beginning of this year, according to HACTL.

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